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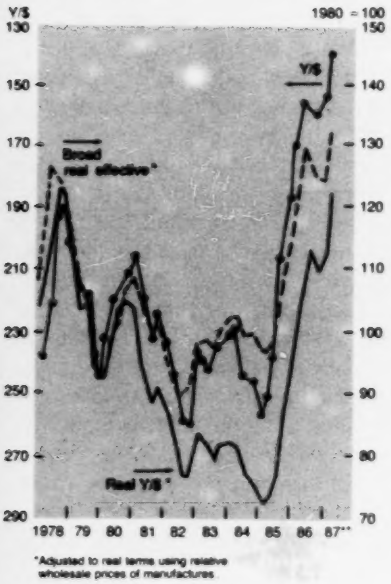
Chart 1
The yen
quarterly averages



*Adjusted to real terms using relative wholesale prices of manufactures.

** Latest plotting April 24.

Japan under pressure

With the economy reeling under the pressure of the yen's appreciation — it is up over 35% in broad real effective terms since February 1985 (see Chart 1) — Japan has reached historic crossroads that confront its policymakers with critical choices. Their actions will determine whether Japan returns to the head of the industrial-country growth league or remains stuck with real GNP growth at or below last year's pace — 2.5% on a calendar-year average basis, and a mere 2% measured fourth-quarter to fourth-quarter. This was its worst performance in over a decade.

Japan's halcyon days of export-led growth are over, at least for some years to come. In 1986, despite the widening of the trade surplus to $93 billion in nominal FOB terms — and of the current account surplus to $86 billion (4.4% of GNP) — exports slumped almost 5% and imports gained over 3% on a GNP-accounts basis (see Table 1). Together they subtracted 1.3% from overall economic activity. Adverse external demand again will clip a percentage point or so from Japan's real GNP growth in 1987, which could well stay around 2%.

Japan tends to blame its economic woes on the priority that the United States now attaches — and correctly so — to remedying its trade deficit. In fact, Japan's adjustment problems have their origin in domestic policies that have clung to outdated goals rather than offset the inevitable shrinkage of external demand. To date, successive "Action Programs" have been heralded with much fanfare but have delivered little tangible result. Japan's domestic demand growth proved less strong than expected in 1986, seems destined to sag in 1987, and is at risk of slump unless confidence is revived through positive policies not yet fully in place.

Although last year's yen rise and oil price collapse conferred terms-of-trade gains on the economy exceeding 2% of GNP, Japan's consumers saw little benefit. Consumer prices were practically unchanged overall, in no way paralleling the steep fall at the wholesale level (see Table 2). Personal consumption also was held down by low wage gains: by December, these ran a mere 0.5% in manufacturing, including bonuses, and only 2.6% year-on-year in industries generally. Further drag stemmed from a rising unemployment rate, which recently nudged 3% officially and is in double-digit territory when defined

Table 1

Japan's real GNP and external balances

percent change from previous year, except as noted

	1985	1986	1987
Real GNP	4.7	2.5	2.0
*Domestic contribution**	3.5	3.8	3.1
*Foreign contribution**	1.2	—1.3	—1.1
Domestic demand	3.8	4.0	3.2
Personal consumption	2.6	2.7	2.9
Government consumption	2.0	6.6	1.2
Business fixed investment	12.3	6.4	3.7
Government fixed investment	2.6	10.1	8.5
Exports	5.3	—4.8	—4.2
Imports	—0.1	3.3	2.8
External balances, billions of dollars			
Trade, FOB	56	93	80
Current account	49	86	78

*Percentage points.

Table 2

Inflation in Japan

percent change, December over December

	1985	1986
Consumer prices	1.8	0.1
Fuel and electricity	—1.4	—10.1
Wholesale prices	—4.2	—9.9
Domestic nonfood manufacturing	—2.1	—2.7
Petroleum and coal	—4.3	—41.8
Import prices	—19.6	—34.0
*Wages**	1.3	2.6

*Cash earnings, including bonuses, of regular workers.

broadly (see discussion on page 10). Wage and employment trends do not support a stronger consumption path for 1987. Nor is Japan's business investment outlook reassuring. Outlays may not actually decline this year, as some surveys have predicted, but their strength clearly is ebbing: investment growth in 1986 was barely half the 12% of 1985.

That the economy was headed for rough waters was not wholly unforeseen in Japan. In October 1985, as the dollar headed lower, Prime Minister Nakasone established an Advisory Group on Economic Structural Adjustment for International Harmony — the so-called Maekawa Committee — to study policy measures to help Japan adapt to the new world realities. The Committee's first report, released in April 1986, called for a more open economy, relying principally on domestic demand for growth. The same theme pervades the Committee's final report, presented to the Prime Minister just this month. It notes that Japan's economic growth is not accurately reflected in the quality of everyday Japanese life: housing standards are low, the cost of living high, and working hours long. The first report did not attract the endorsement of the governing Liberal Democratic Party (LDP). Substantive policy changes were slow to follow, especially where they would undermine the official commitment to fiscal restraint. Thus the budget just passed for FY1987, which commenced April 1, prescribes slowing public-sector consumption. It remains to be seen whether the final report leads to more positive action.

Meanwhile, Japan's exports are suffering not only from yen appreciation and sluggish growth of its foreign markets but also from protectionism — increasingly, in Europe as well as the United States — bred by the sheer size of Japan's trade surplus, its geographic and product concentration, and the perceived resistance of Japan's markets to foreign penetration. Even if foreign markets remain reasonably open to Japanese products — an assumption that the U.S.-Japan "chip wars" render questionable — Japan must reconcile itself to substantial declines in net foreign demand during the next several years.

At a minimum, successful adjustment, not to mention responsible participation in the world community, requires that Japan step up its foreign aid on an untied, multilateral basis. More profoundly, Japan must put aside mercantilist notions of *absolute* advantage in its international trade, and instead come to grips not only with its true *comparative* advantages but equally with its comparative disadvantages in agriculture and in those manufacturing activities that should be passing to LDC and other producers. At home, therefore — with languishing domestic demand, substantial excess capacity, and rising unemployment — it is urgent that the basic thinking of the Maekawa Committee be taken to heart.

On April 7, immediately before the IMF Interim Committee meeting in Washington, the LDP announced that it was "examining a framework" for unspecified stimulative measures — to be implemented over an unspecified period — carrying a total price tag of 5 trillion yen (1.5% of Japan's GNP, or about $35 billion). Political roadblocks are likely to prevent much positive impact on the economy this year. Yet if Japan is to stave off the risk of outright economic slump, it is vital that incremental stimulus of at least this general size be implemented with all possible speed and at the full force advertised — in other words, without offsetting contractionary measures either this year or in the 1988 budget. Japan would do still better by joining a serious venture

in international macroeconomic policy coordination, involving U.S. fiscal restraint plus a combination of monetary and fiscal stimulus in Europe as well as Japan. Coordination is the most constructive road for reducing international imbalances, promoting the health of the world economy, and assuring Japan's own prosperity.

Foot-dragging on Maekawa

Rarely does a society espouse sweeping reorientation of its economic goals and policies with open arms. Japan's response to the Maekawa report has proved no exception, since the Committee's thrust seems to run at odds with the approach that has yielded substantial economic success in recent years. Of course, the report's recommendations had no binding force and its principal function has been to legitimate Japan's debate on its own future. Mr. Maekawa has recently noted that Japan's capacity to expand domestic demand is limited. His pessimism doubtless reflects awareness of the power of entrenched interest groups to block significant change.

Most Japanese cling to the hope that foreign exchange markets will either move in their favor or at least get them back to the business of profitable exporting, and thus help obviate the need for thoroughgoing structural adjustment. This hope had some substance while the yen-dollar rate was fluctuating within the fairly narrow Y150-Y165 range from the second quarter of 1986 through this March. Several export-dependent industries, notably makers of electrical and general machinery, have continued to report profits that compare favorably with less-exposed sectors, albeit much below the bloated levels of 1985. One recent survey suggested that profits of most Japanese firms could recover from a Y150 rate by the end of 1987. Another predicted a 25% rise in manufacturers' profits this fiscal year, recouping much of the 1986 drop. With the yen recently passing the Y140 level, there is active contingency planning for export survival under an ever-strengthening currency. Important sections of the business community also have come to understand the need for stimulative domestic policies. But the case seems less accepted by government, and at the popular level arguments counseling Japan against basic policy change largely retain their sway.

Some of these arguments maintain that all is well with Japanese policies and that problems emanate from without, reflecting the creditor view that debtor countries are responsible for changing their own policies in the interest of external adjustment. It is contended that the United States, if it wishes to correct its present trade deficit, must bite the bullet of budget-deficit reduction to cut consumption and boost domestic savings. In addition, U.S. exports must become more attractive in the Japanese and world markets by (generally unspecified) steps to boost the quality and market appeal of U.S. products — but without further appreciation of the yen, since the yen already is said to have risen well above the level corresponding to purchasing power parity (PPP).

Yet, as this article later makes plain, U.S. fiscal action taken by itself is no panacea for the problems of the world economy. The contractionary global demand consequences of U.S. deficit cutting are a major reason why Japan should reorient its own policies. On U.S. competitiveness, few would question improving the nonprice appeal of U.S. products, but the goal does not lend itself to instant success.

As to the price factor, PPP analysis provides no definitive conclusion: using a base period of 1982, when the yen was depressed and averaged 250 to the dollar, subsequent relative wholesale price inflation suggests an equivalent 1987 exchange rate of Y200. But the yen's 1982 rate was inconsistent with reasonable balance of payments equilibrium, since Japan's surplus already was expanding sharply at the time. More relevant to today's adjustment challenge is the yen's 1978 peak. That year's monthly average high of Y184 to the dollar translates, after inflation adjustment, to a 1987 average rate of Y132.

Japan's business community opines that reduction in the Japanese share of overseas markets through yen appreciation will go overwhelmingly to the advantage of the newly industrialized countries (NICs). The NICs indeed stand to benefit, but it goes too far to claim that U.S. firms will not. After all, the U.S. government is pressing the case for currency appreciation on Taiwan and Korea — the two NICs with truly egregious surpluses in their U.S. bilateral trade. Given that Japan's surplus with those NICs is high and rising (see Table 3), their currencies may not appreciate significantly against the yen, but have begun to do so against the dollar.

At root, some Japanese observers reject major narrowing of the current account imbalance, arguing that it is Japan's rightful "turn" to run large current account surpluses. They averaged 2.3% of GNP in the last six years, ran 4.4% of GNP in 1986, and on Japanese forecasts will fall no lower than 2% of GNP in the years ahead. In historical perspective, Japan's current account surpluses may not seem excessive: between 1850 and 1913 current account surpluses were endemic to the United Kingdom, peaking at over 10% of GNP; but U.K. current account surpluses then, unlike Japan's today, were accompanied by growing trade *deficits* and fairly open domestic markets. U.S. current account surpluses after the two world wars were comparatively small and disappeared quite quickly once damage to other nations' manufacturing capacity was made good.*

The view of Japan's external surplus as fundamentally structural derives seeming support from findings of low price and income elasticities for Japan's imports, such that a 1% increase in GNP would increase them noticeably less than 1% — barely half the responsiveness estimated for U.S. imports. Of course, market-opening measures should be increasing Japanese elasticities. But even if they remain low, the implication is not that the surplus must continue but rather that its reduction requires proportionately greater domestic demand stimulus or exchange rate change than would be needed to address a hypothetical U.S. surplus.

Nor can it be argued that Japan's external surplus represents an unchangeable imbalance between domestic savings and investment. Japan's savings propensity long has been higher than those of other industrial countries, reflecting the nation's innate thrift, high land and housing prices, tax incentives, and other conditions that are difficult and slow to change. Still, Japan's gross private savings rate has come down noticeably over the years, from almost 31% of GNP in 1972 to a little over 26% by 1984. Besides, Japan's high savings used not to, and need not now, materialize as large external surpluses. Prior to

Table 3

Japan's bilateral trade balances

billions of dollars at annual rates, not seasonally adjusted

		3 months ended Feb 1987	
	1986	Actual	Change from year earlier
United States	51.4	48.0	3.5
Canada	0.6	0.5	0.1
Western Europe	19.4	22.5	5.1
Southeast Asia	12.3	12.8	10.1
Hong Kong	6.1	6.1	1.1
Korea	5.2	5.0	1.1
Singapore	3.1	3.0	0.9
Taiwan	3.2	3.9	2.0
China	4.2	2.9	—0.8
Middle East	—8.6	—10.0	12.0
Latin America	3.3	3.0	0.2
Other	0.1	1.0	0.7
Total	82.7	80.7	30.8

*In each of the five-year periods from 1850 through World War I, Britain ran large and, for the most part, growing trade deficits that were more than offset by surpluses on services and investment income. Between 1919 and 1923 the U.S. surplus averaged 2.3% of GNP, but subsequently fell sharply to less than 1%; it averaged 1.7% of GNP in 1946-49, but was in deficit for five out of the six succeeding years.

Chart 2

Real GNP and domestic demand

annual average rates of growth in percent

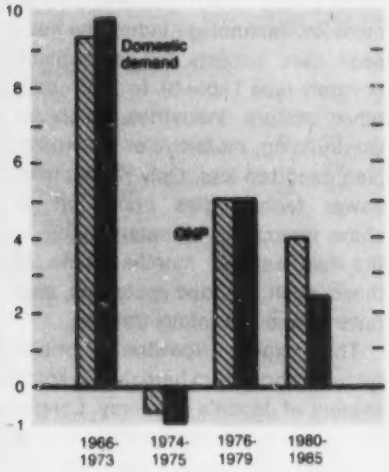


Table 4

Manufacturing output and employment

percent per annum

	1973-1979	1980-1984	1985-1986*
Output			
Japan	3.6	7.7	2.1
United States	2.0	1.3	2.1
Canada	2.7	—0.1	3.2
France	3.0	0.3	0.5
Germany	1.7	0.2	4.0
Italy	3.1	0.9	2.2
United Kingdom	—0.7	—1.7	1.7
Employment			
Japan	—1.4	1.6	0.2
United States	0.8	—1.6	—0.5
Canada	0.2	—2.7	2.0
France	—1.0	—2.1	—2.5
Germany	—1.6	—2.1	1.5
Italy	0.3	—2.2	—1.9
United Kingdom	—1.3	—5.3	—0.4

*The output data for 1985-86 are taken from industrial production figures, while earlier periods record value-added in the GNP accounts. Industrial production data for 1973-79 and 1980-84 show the same cross-country pattern as seen here, but differ because of productivity change.

the first oil shock, Japan's rapid economic growth normally generated business investment sufficient to absorb private savings. Later in the 1970s, when business investment dropped more than private savings relative to GNP, the newly available savings excess financed an expanded budget deficit. Altogether, output and domestic demand rose in tandem in both the 1960s and 1970s (see Chart 2), with no clear tendency toward imbalance either way.

Against this historical record, Japan's 1980s' experience should be judged an acute aberration. Net exports furnished almost 40% of Japan's real GNP growth during the first half of this decade, reflecting world-market competitiveness, the restrictive bent of Japanese fiscal policy after 1979, and the opposite U.S. tack soon thereafter. Despite the consequent mushrooming of Japan's current account surplus and the failure of domestic business investment to recover past dynamism, the government has been averse both to a major step-up in foreign aid, which could absorb excess domestic savings, and to meaningful fiscal stimulus, which would boost domestic consumption and investment. The Ministry of Finance has yet to abandon its long-held goal of eliminating deficit-bond financing of the general-account budget by FY1990, a goal that would tighten the fiscal posture by a further 1.6% of GNP.* Such negative macroeconomic policies can only worsen the imbalance of domestic savings and investment and, still more, Japan's overall economic prospects.

*Because the over-65 population is rising faster in Japan than in other industrial countries, it is often argued that Japan's public sector must at least eliminate budget deficits. Although social spending will rise sharply relative to GNP by 2025 — albeit less so were GNP to rise rapidly — a recent IMF study concludes that Japan's spending will remain below levels borne in 1980 by several European nations that lacked sizable net foreign assets.

Japan's manufacturing and export dependence

In their heyday, manufacturing output, productivity, employment, and export achievement were the building blocks of Japan's spectacular economic progress. Although manufacturing output languished elsewhere in the industrial world following the first oil shock, it forged ahead in Japan. The performance differential again widened in Japan's favor after the second oil shock. Its manufactures output gained almost 8% annually from 1979 through 1984 (see Table 4), contributing 61% of overall GNP growth. The manufactures output gain in this period, of which *three-fifths* went to export, occurred through fast-rising productivity and continuing employment gains at a rate of just under 2% per annum. This maintained the share of the manufacturing sector in Japan's employment, whereas Europe's manufacturing saw virtual stagnation of output and a drastic decline in employment. In the United States, where job losses in manufacturing averaged 1.6% per annum during the same period, the dollar's strength was widely held to be precipitating "deindustrialization." In fact, based on domestic demand, U.S. manufacturing broadly held its own in GNP terms and its output growth ranked second among the G-7 countries. This U.S. experience argues that, while industrial change is inevitable, deindustrialization is not — and need not be so for Japan today, provided domestic policy is expansive.

But domestic policy has not been expansive in Japan. Since the dollar's turnaround in February 1985, Japan's manufacturing output growth has sagged to about 2% annually — a sorry comedown from Japan's post-reconstruction record. Moreover, its manufacturing em-

Table 5

OECD manufactures trade, 1984

	Exports as % of total exports	*Imports as % of total imports*	*Imports as % of exports*
Japan	98	28	23
United States	72	71	158
Canada	82	83	115
France	76	59	87
Germany	89	61	61
Italy	87	49	63
United Kingdom	69	69	112
OECD total	76	62	88

Table 6

*Intra-OECD export shares, 1984**

in percent

	Japan	*United States*	*Germany*
Chemicals	3	19	23
Pharmaceuticals	3	21	19
Semifinished manufactures	8	10	19
Iron and steel	14	4	22
Machinery	22	29	19
Office and data processing	24	44	10
Telecommunications	60	15	10
Vehicles	25	26	20
*Vehicles, adjusted***	37	2	31
Other transportation	8	39	9
Miscellaneous manufactures	11	19	18

*A given country's exports to all OECD countries, as a share of total OECD imports excluding that country.
**Excluding trade between the United States and Canada.

ployment has wilted 0.7% since mid-1986. At the same time, Japan's manufacturing sector belatedly is having to grapple with adjustment problems familiar to its U.S. and European competitors, including the migration of many standardized manufacturing technologies and production capacity to lower-wage countries.

Japan's manufactures export volume, which peaked nearly two years ago, has subsequently dropped some 8%. Manufactures account for virtually all Japan's exports but, prior to 1986, less than 30% of imports. By contrast, for members of the Organization for Economic Cooperation and Development (OECD) on average, manufactures account for 76% of exports and 62% of imports (see Table 5). To a large extent these differences are the natural consequence of Japan's relative scarcity of physical resources, which forced it to develop and exploit a comparative advantage in manufactures. Apart from chemicals, Japan captures a disproportionately large share of world manufactures import markets. Japanese producers provided 22% of OECD machinery imports by 1984 and, in such prominent product categories as telecommunications, as much as 60% (see Table 6).

In turn, for many Japanese producers a major fraction of output goes to exports. Shipbuilding is the most exposed sector, with export contracts accounting for up to three-quarters of production in recent years (see Table 7). About half of domestic production is exported by both the automobile and electronics industries. Even such natural-resource-based industries as fibers and cement export a significant share of production.

Ironically, Japan's manufactures-export success renders it vulnerable to adverse trends in foreign markets and the yen exchange rate. When the yen was weak during the first half of the 1980s, textiles and television shipments expanded sharply, and even cement and steel exports rose somewhat. Since 1985, most low-technology industries have seen their exports fall, sometimes severely (see Table 8). In 1986 some other mature industries, such as shipbuilding, motorcycle, and radio, also exported less. Only products of newer technologies continued to show increasing shipments. But in the last several months some of these, such as video recorders, also have joined the minus column.

The export downtrend brings genuine short-term hardship to some sectors of Japan's economy. Longer term, the continuing profitability of an industrial strategy that has emphasized product development attuned to export potential, especially in the U.S. market, now stands in question. So too does the wisdom of a macroeconomic stance, working through the exchange rate and subdued domestic demand, that preserves export share for Japan in products better suited to other countries on comparative advantage grounds. As some in Japan are coming to realize, the nation cannot pursue across-the-board export dominance in manufacturing, yet blithely expect its trade partners to acquiesce; nor would such dominance be consistent with the satisfaction of Japan's domestic consumers' needs, most conspicuously in the areas of housing and social infrastructure.

Limited results from market opening

Japan has adopted two main tactics to contain the frictions occasioned by its successful penetration of foreign markets. One tactic, initially adopted under foreign pressure and now espoused by domestic producers, has been to impose "volun-

Table 7

Japan's export dependence

shipments as percent of domestic production, fiscal year data

	1983	1984	1985
Electronics and electrical machinery	47	48	46
Automobiles	51	53	55
Nonelectrical machinery	30	31	31
Shipbuilding	72	75	68
Iron and steel	35	34	33
Petrochemicals	11	10	10
Synthetic fibers	25	24	27
Cement	17	14	12

Table 8

Japan's export adjustment

selected products

	Percent volume growth		1986 value as percent of total exports
	1980 to 1985	1986	
Electrical products	60	—3	20.2
Tape recorders	230	8	3.5
Televisions	56	—42	0.6
Radios	15	—14	1.3
Automobiles	19	0	15.6
Motorcycles	—28	—32	1.0
Shipbuilding	45	1	2.3
Steel	10	—9	6.1
Synthetic yarns	10	7	0.3
Cotton fabrics	41	0	0.4
Synthetic fabrics	12	—10	1.0
Cement	4	—36	0.1
Total	41.3	—1.3	

tary" restraints on sensitive exports, an approach that is fundamentally anti-market and enormously costly to the affected would-be consumers of Japanese products. The second tactic has responded to the foreign perception of domestic-market closure by launching a procession of plans, programs, measures, and actions that by now are supposed to have rendered Japan's goods markets — in manufactures, at least — the most open in the industrial world.

Yet, by virtually any yardstick of actual performance, Japan's manufactures imports are extraordinarily low — 4% or less of intra-OECD trade in all principal manufacturing sectors except chemicals (see Table 9), even though Japan accounts for almost 20% of OECD GNP. The much smaller German economy imports vastly more, even in such competitive specialties as chemicals and motor vehicles. Of course, Germany's economy is closely integrated with those of its immediate European neighbors, so its import behavior hardly settles the question of Japan's openness. Still, the United States, which used to display a continental self-sufficiency, now absorbs the largest share of intra-OECD manufactures imports, roughly in line with its 35% share of OECD GNP.

Japan's propensity to minimize reliance on imports sometimes has a rational basis in security and cost considerations or in evolving technology and final demand structure. For example, its efforts to adjust to the oil shocks of the 1970s increased the efficiency with which Japan uses such imported raw materials as crude oil, coal, ferrous and nonferrous ores, and metals (more recently, weakening export demand has further slashed Japan's materials imports). The adjustment story has been quite different where comparative advantage should have pointed to reduction of domestic production rather than imports. For example, contraction of the coal industry has been drawn out over at least thirty years, and its end is not yet at hand. The primary purpose of the government's list of "designated depressed" industries has been to allocate domestic production cutbacks, not to eliminate domestic producers.

Where Japan cannot escape reliance on imported raw materials, there is a strong tendency to keep processing within Japan. Only 10% of cotton yarn or petroleum products are imported, even though Japan does not produce the raw materials concerned. Until 1984 — more than a decade after the first oil shock — Japan was slow to permit imports of petroleum products and basic petrochemicals. When product imports were belatedly allowed, the government and domestic producers agreed to require importers to maintain unused domestic capacity, thereby giving traditional producers significant monopoly power that is supported by a still-continuing ban on direct imports by retailers. In only two areas, aluminum and copper, have imports captured a substantial share of domestic consumption. Even here the imports tend to come in crude or semi-finished form, such as ingots. In the case of aluminum, tariffs explicitly discourage fabricated imports from foreign companies except in limited circumstances.

Japan protects its agricultural sector at immense consumer cost. Although it is the leading industrial-country importer of U.S. agricultural exports, Japan's gross agricultural imports are less than those of the United States in total dollar value and, as a net share of GNP, fall short of those of Germany, Italy, or the United Kingdom (see Table 10). These patterns do not reflect superior efficiency in Japanese agri-

Table 9

*Intra-OECD import shares, 1984**

in percent

	Japan	United States	Germany
Chemicals	8	13	14
Pharmaceuticals	12	14	12
Semifinished manufactures	3	22	14
Iron and steel	1	29	14
Machinery	3	30	10
Office and data processing	3	20	12
Telecommunications	1	42	10
Vehicles	1	42	6
*Vehicles, adjusted***	1	36	9
Other transportation	7	18	21
Miscellaneous manufactures	4	20	14

*Imports as a share of total intra-OECD imports.
**Excluding trade between the United States and Canada.

culture, for the country provides the industrial world's highest subsidies and price supports.* Agriculture has been a principal target of Japan-U.S. "market-oriented, sector-specific" (MOSS) negotiations. The results have been disappointing. Beef and orange import quotas, although sharply raised in percentage terms, remain low relative to either Japanese or world per capita consumption. Tariffs and distribution practices disadvantage imported cigarettes and high-quality spirits. And, despite mounting domestic dissent, rice remains untouchable, with the U.S. government quickly backing down in the face of Japanese reaction to the U.S. rice-millers' complaint last fall.

The MOSS talks have generated some progress in specific industrial sectors, such as pharmaceuticals and telecommunications, and on specific issues, such as international standards and government contracting. But there has been backsliding too. Nippon Telegraph and Telephone (NTT) has argued that its privatization invalidates an earlier agreement on government procurement, suggesting NTT may return to its earlier practice of buying high-technology items almost exclusively from privileged domestic suppliers. The proclivity of private groups to formulate "Japanese" standards in preference to international ones has not diminished. Just last year Japanese ski makers sought exclusionary standards on the pretext that Japanese snow is "wetter."

Official discrimination against foreign firms often remains blatant. It appears that no more than half the approximately $7 billion in contracts relating to the New Kansai airport, a quasi-governmental project, will be put to open bid accessible to foreign firms. Licensing authority has been used to constrain sharply the only consortium that would have used foreign equipment in the cellular phone market. There is reluctance to allow foreign firms a significant role in providing international phone links to Japanese firms, despite initial promises that foreign firms would be allowed a management role and up to one-third of the equity in such ventures. These telecommunications issues now are entangled in the long-running semiconductor dispute. The Japanese government took six months to formulate production guidelines to help enforce last fall's U.S. bilateral accord against below-cost sales. The alleged failure of several Japanese firms to honor the accord has now resulted in punitive U.S. tariffs on selected Japanese products. No resolution of the current "chip wars" is likely to be durable, since in high technology both nations lay claim to comparative advantage.

In opening markets, the proof of the pudding must lie in the eating. The volume of Japan's goods imports rose more than 12% overall in 1986, but their seeming strength was biased upward by the tripling of gold imports (see Table 11). Excluding these, total imports rose almost 8% and manufactures imports 13%. These were sizable percentage gains, as were the sector figures for plastics, steel, automobiles, and aluminum products. But the increases occurred from very low base levels. In practice, Japan's domestic markets are not the model of openness and transparency that the government and business community are wont to declare.

Table 10

Food imports, 1984

	Gross food imports, $ billions	Net agricultural imports* Percent of domestic production	Net agricultural imports* Percent of GDP
Japan	15	34	1.1
United States	19	—6	—0.1
Canada	4	—34	—1.1
France	10	—12	—0.5
Germany	15	64	1.2
Italy	9	26	1.5
United Kingdom	11	79	1.5

*Includes forestry and fishing.

*A World Bank study found that in the early 1980s Japanese prices exceeded world prices by 108% to 144% for seven product categories; comparable U.S. prices were just 16%-17% higher than world levels. Since then the relatively high protection afforded Japanese agriculture probably has risen substantially in step with the yen's appreciation.

Growth-stifling domestic policies

Paralleling the numerous Action Programs to open Japan's domestic

Table 11

Japan's import adjustment

	Percent volume growth		1986 value as percent of total imports
	1980 to 1985	1986	
Food	26	13	15.0
Textile materials	10	0	1.5
Ores and concentrates	—5	—5	4.6
Lumber and other raw materials	—1	2	7.8
Fuel	—8	3	29.9
Coal	36	—2	3.9
Crude oil	—23	—3	15.9
Petroleum products	53	30	3.7
Manufactures	54	13	35.8
Chemicals	44	5	7.7
Plastics	49	40	0.8
Machinery	16	8	11.6
Automobiles	10	40	0.9
Steel	84	17	1.4
Copper	39	—21	0.4
Aluminum	68	—13	1.3
Gold	448	206	5.4
Total	3.4	12.5	100

Table 12

Fiscal policy

data are for general government as percent of GDP

	Actual budget balance, 1986	Change in structural budget balance, 1986	Net debt,* end-1985
Japan	—1.5	0.5	26.5
United States	—3.4	—0.1	27.9
Canada	—5.4	0.9	33.1
France	—2.9	—0.3	16.6
Germany	—1.0	—0.3	23.0
Italy	—12.5	1.2	95.7
United Kingdom	—3.1	—0.7	47.6

*Gross debt net of intragovernmental holdings.

markets has been a succession of promises to stimulate domestic demand. In practice, delivery on these promises has fallen victim to fiscal restraint, with the unhappy result that Japan's domestic demand growth in the 1980s has run markedly lower than in the 1970s, let alone the vintage years before the first oil shock. Last year's oil-price collapse helped boost domestic demand, but that boost now seems to be fading, and with it the hope of stronger economic performance.

Japan's commitment to fiscal restraint stems from its 1970s' experience. Private demand was so weakened by the austerity used to fight inflation after the first oil shock that the government felt obliged to step in, particularly boosting its investment. The general-government deficit reached 5.5% of GNP by 1978 — eclipsing today's U.S. deficits and stirring deep anxiety in Japan about the supposedly adverse implications of the fast-rising stock of government bonds. Even as the second oil crisis struck, the growth of government spending was cut back sharply. Fiscal policy has been austere ever since, bringing the deficit down to 1.5% of GNP in 1986, at which level it absorbed barely one-seventh of net private savings. The ratio of gross general-government debt to GNP, which has stabilized below 70% since 1983, still sounds high relative to the under-50% U.S. figure. But much of Japan's gross debt represents cross-holdings among government accounts; at the end of 1985, Japan's net debt was under 27% of GNP, slightly below the U.S. figure (see Table 12).

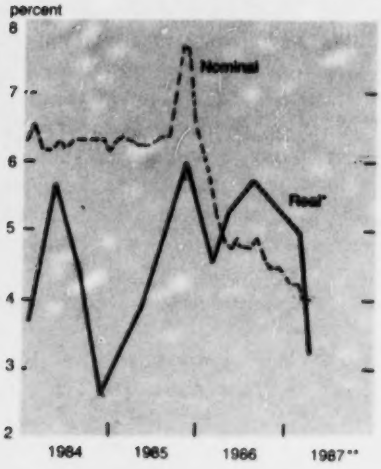
Thanks to the primacy given fiscal restraint, Japan's successive Action Programs during the 1980s have done little or nothing for constructive macroeconomic adjustment. Admittedly, expanded financing from the government's Housing Loan Corporation has been a success. Housing starts in the last half of 1986 were up 17% over the same period of 1985, reversing their decline and stagnation earlier in the decade. Yet starts now have plateaued significantly below the pre-1980 pace. The current pace may be sustained by recent interest rate declines for another year or so, but will wane over the longer run unless the government renews the housing program on generous terms.

Otherwise, given that overall economic growth has faltered, it is tough to discern positive effects from the three action packages of October 1985, April 1986, and September 1986. On average, *each* was supposed to add 1% to real GNP growth but actually often focused on shifting the timing of expenditures so as to boost growth in a particular fiscal year. Little benefit has come of the promises of increased public-works spending and privatization. Government consumption has remained fundamentally cautious, with the official figures for 1986 exhibiting a merely temporary boost through the minting and sale of gold coins commemorating the 60th year of Emperor Hirohito's reign. Last fall there were rumors of a large Action Program amounting to about $20 billion, or 1% of GNP. The subsequent supplementary budget provided only about 0.2% of GNP in additional bond financing and even this modest stimulus is thought to have been neutralized in practice.

Later, the government's FY1987 budget turned out restrictive. The cyclically adjusted budget balance is estimated to move toward surplus by about 0.5% of GNP, continuing the austere established trend. Although defense spending should finally break the 1%-of-GNP barrier this year, general-account spending is set to increase a mere 0.5% in total and to decline if debt service and local transfers are excluded.

Chart 3

3-month Euroyen deposit rates

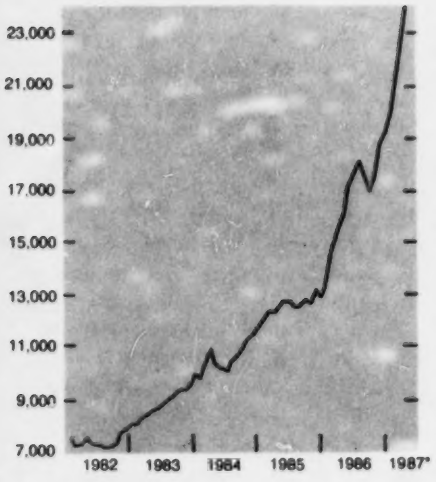


*Deflated by centered 6-month rates of change in consumer prices including projections for 1987 when necessary

**Latest plotting April 24.

Chart 4

Nikkei stock index
monthly averages



*Latest plotting April 24.

Bookkeeping changes allow the fiscal investment and loan program, which channels funds from various government sources to special spending programs, to show a 22% increase over FY1986. However, budgeted spending under this program is to rise only one-third as much — little faster than in the previous year.

Meanwhile, the ongoing tax-reform debate has been predicated on revenue neutrality, give or take timing issues. The government's proposal, now in abeyance, would have cut corporate and individual income taxes in stages beginning this month, while introducing a new savings tax in October and a new value-added tax (VAT) in January 1988; the combination would have been approximately neutral for domestic demand in the first two years, and mildly restrictive thereafter.

Yet private domestic demand looks lackluster at best. In the current spring wage round, unions seem ready to accept exceedingly modest contract increases in manufacturing — of around 1.5% in steel and shipbuilding and 3%-3.5% in the electronics and automobile industries — pointing to further wage deceleration that will restrain private consumption. As for business investment, excess capacity and poor sales prospects in manufacturing and declining profits in nonmanufacturing are compelling disincentives, even assuming some marginal further easing of monetary policy — until recently, despite low nominal interest rates, real rates in Japan have been high (see Chart 3). Relative to the economic fundamentals, this year's boom on the Tokyo stock market (see Chart 4) is something of a puzzle. Perhaps it reflects an overly rosy profit outlook for manufacturing and a reevaluation of Japanese corporations' substantial hidden assets, especially land: land prices jumped 7.7% last year nationwide, and in Tokyo by ten times as much. But in Japan, as elsewhere, a strong stock market is no guarantee of robust economic growth.

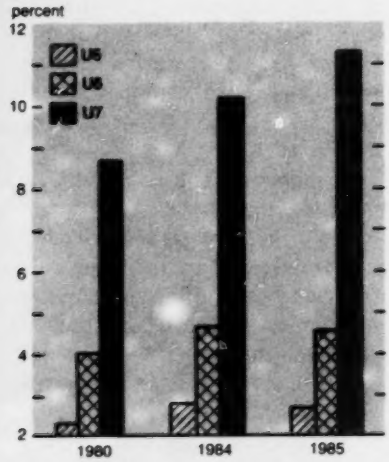
With growth actually flagging in Japan, it is no surprise that unemployment is becoming a significant issue. According to the official definition, unemployment rose to 2.8% in 1986 and hit a record high of 3% last January. However, this greatly underestimates the degree of labor-market slack. When demand is slack, Japanese workers are retained by their firms much longer than in the United States — performing less productive tasks, such as repainting the plant — and are more likely to be put on part-time. Many of Japan's part-time workers move in and out of the labor force without declaring themselves unemployed. Broad definitions of unemployment attempt to capture these characteristics (see Chart 5). Detailed surveys, which are published only after a long lag, estimate the broad unemployment rate to have topped 11% as of early 1985. By now it may well be in the 12% to 13% range, substantially above both the comparable U.S. figure of 10% at the end of 1986 and the 8.7% for Japan at the beginning of this decade.

A real Action Program?

Belatedly accepting the "principle of domestic demand expansion," the LDP announced on April 7 that it was examining a "framework" for public-works spending amounting to about 5 trillion yen. Possible measures include: an acceleration of spending included in the FY1987 budget, with about 80% of projects to be initiated in the first half of the fiscal year, followed by extra spending through next fall's expected supplementary budget; more generous financing through the

Chart 5

*Unemployment in Japan**



*U5 is the official unemployment figure, adjusted to the U.S. definition, as a percent of the civilian labor. U6 includes some of those on part-time hours who desire more work, as well as those counted as employed but actually not working. U7 adds estimates of discouraged workers – those who have given up searching for a job because they cannot find employment. In January 1987, when the official unemployment rate hit 3%, 1.7% of the labor force were employed but not working, and another 15.4% were working part-time.

Source: U.S. Bureau of Labor Statistics

Housing Loan Corporation; grants and low-interest loans for depressed regions; construction of new "bullet train" lines; and, to provide requisite funding, use of some proceeds from the NTT privatization or additional construction-bond issues.

The timing and magnitude of the framework's implementation remain unclear, not least because of the LDP's political difficulties. Further details of the framework package may surface during Prime Minister Nakasone's Washington visit this month, but it will be several months more before it becomes clear how much represents truly new spending, that is, spending over and above the level included in the budget just approved. With the proposed VAT now doomed to extended delay or outright abandonment, the most likely outcome could be that the entire tax-reform package is revised; net corporate and personal income taxes are cut toward the end of this year by about 1.5 trillion yen, 0.5% of GNP; and 1987-88 public-works spending is boosted by a similar amount over the FY1987 budget figure.

Although these measures likely would little affect this year's outcome, real GNP growth next year should pick up to 3% or so. Even then, Japan's growth in 1988 would run at best a percentage point or more below its 4.5% potential and its inflation rate likely would remain below 1%. Moreover, Japan is likely to make little headway in bringing down its outsize current account surplus. Ever-rising investment income will offset much of the decline in Japan's trade surplus, probably leaving the 1988 current account surplus only $10 billion short of last year's record level.

A coordinated approach

Without question, more vigorous economic growth in Japan would make major positive contributions not only to the well-being of Japan's consumers but also to the world economic outlook generally. Still, especially in the United States, this month's microchips skirmish has focused attention lopsidedly on Japan's role in global betterment, neglecting the equally vital parts to be played by the other key actors — the United States and Europe.

Industrial-country growth may be lucky to average 2.4% for 1987. Yet there is near-universal agreement that a rate of 3% or better is needed to make worthwhile inroads on unemployment, provide a healthy background for working down trade imbalances, and ameliorate LDC financing and growth problems. Unfortunately, such agreement commands lip service, but little political commitment, on the part of the major countries — not only Japan, as this article has shown, but also the United States and Europe. With this month's renewed fall in the dollar, the apparent upsurge in U.S. inflationary expectations — exaggerated as this may be — and the turmoil in U.S. money markets, U.S. policymakers display no clear sense of their best way forward. Nor should the immobilism of Europe's policymakers be overlooked: the 3%-or-so growth prospect officially celebrated for the United Kingdom this year is impressive mainly against the dispiriting prospects elsewhere; forecasters have been falling over themselves recently to mark down their 1987 expectations for the key German economy — some now put its growth at 1.5% or less — with companion downgrades for its continental neighbors.

As so often in the past, breaking out of an international impasse requires that U.S. leadership assert itself. It must deliver the key U.S. contribution, which on this occasion is reduction of the federal budget

deficit. A $30 to $40 billion reduction this fiscal year seems well in hand. For FY1988 both House and Senate budget committees seem headed for a $35 to $40 billion cut, drawn equally from tax hikes and spending reductions. Assuming the package relies on consumption taxes and genuine spending cuts, the Administration should lend its support. With Japan now coming to accept the need for stimulative policies itself, there is emerging scope for a joint U.S.-Japan approach to European leaders for stimulus there also, in order to assure that domestic demand growth in Japan and Europe together outweigh the contractionary impact of U.S. fiscal action on world demand. Such an international package would help stabilize the dollar, calm financial markets, and open the way in due course for lower U.S. interest rates.

A package along these lines can be simulated by the University of Pennsylvania's Project Link model.* The results turn out to involve no significant exchange rate changes from present levels and are predominantly positive. OECD growth rises by over 0.5% next year, and the level of output is over 1% higher by 1991. Growth rates rise 1½-2 percentage points next year in both Japan and Germany. Japan's budget deficit rises to 2.5% of GNP in 1988, but declines to 2% or less by 1991 — and thus benefits from the fact that its fiscal expansion is not undertaken alone but as part of an international package. Japan's current account surplus shrinks from the $78 billion expected this year to under $60 billion, about 2% of GNP, in 1991.

Although with this package U.S. real GNP growth falls slightly at first, it picks up by 1989 as lower interest rates and an improving current account come to outweigh fiscal contraction. The federal budget deficit falls from the $165 billion expected this year on the NIA basis to about $130 billion in 1991; over the same period, the general-government deficit shrinks from $110 billion to $60 billion, barely more than 1% of GNP. The U.S. current account deficit falls from $130 billion this year to the $100-$110 billion range by the end of the period, and the trade deficit below $100 billion. Some of the improvement is attributable to the policy package, the rest to the exchange rate adjustments that already have occurred.

These gains are not costless. According to the Link model, inflation rates in Germany and Japan average about 0.5 to 0.7 percent higher annually than without the policy package. However, the Link estimates are heavily influenced by experience during the late 1960s and 1970s, when capacity was under pressure in both economies. Other econometric models estimated over the same period suggest less inflationary impact. Moreover, since capacity constraints today are not a genuine worry, a lower inflationary cost can reasonably be expected.

While the benefits of the assumed package for world economic growth and correction of trade imbalances are positive, they are not fully adequate and certainly could be bettered. Several of the European countries excused from stimulus in the

*The key specific assumptions are: a $40 billion reduction in the U.S. budget deficit, split equally between tax and spending measures, to occur at the end of 1987; an equal boost in Japanese government spending, preferably focused on social infrastructure and foreign aid; and a $35 billion fiscal stimulus in Europe, two-thirds as tax reductions that would be consistent with many governments' intentions, if not their past delivery. The European stimulus is allocated to Germany (80%), the Netherlands (10%), and Switzerland (10%) — that is, in rough correspondence to their large current account surpluses in 1986. No fiscal stimulus is assumed in France, given that its triumph over inflation is not definitively established; in Italy, in view of its gargantuan budget deficit and healthy economic growth; or in Britain, where the policy stance is already expansive and short-term growth prospects are favorable. Monetary policies are assumed to be mildly accommodative in all the major countries, with short-term interest rates cut 50 basis points initially.

simulated package could help by forgoing the budgetary bonus they would enjoy from stronger world growth. A less restrictive fiscal stance in France, for example, would be a significant plus for Europe's growth and also lessen the current account deterioration experienced by Germany under the simulated package. Elsewhere, the Asian NICs, whose exchange rates have moved little despite the dollar's decline, could do much by way of currency appreciation and domestic stimulus. Even Latin America could find leeway to enhance its economic growth, thanks to a greater ability to import based on a more positive and secure export prospect. Nonetheless, a one-shot global coordination exercise would not lay all problems to rest. With the need to reduce further the twin U.S. deficits, another international package probably would be called for next year.*

In sum, Japan's emerging readiness to take substantive steps to strengthen its domestic growth is consistent with its international responsibility and presents the United States with an opportunity to break through the impasse in international policy coordination. Higher U.S. consumption taxes would be a modest price to pay for genuine political commitment on the part of Germany, as well as Japan, to building an action program to buttress growth, narrow trade imbalances, contain protectionism, and better the lot of LDCs. Such action is indispensable to establishing the fundamentals crucial for fostering financial market confidence and, especially, a modicum of the exchange market stability to which successive G-5 communiqués have aspired. At this stage, with Japan and much of Europe teetering at the brink of recession and the U.S. economy lethargic, growth-oriented policies are greatly preferable to further sizable dollar depreciation. In any event, depreciation will be hard to avoid unless such policies are put in place soon. The dangers of doing too much for growth are much less than the risks of inertia, given today's real urgency to secure macroeconomic policy support for world economic advance.

*The character of a follow-up package would depend on behavioral responses to the first. If Japanese and European savers felt they could look forward to faster economic growth with less risk of unemployment, they might consume and invest more, amplifying the improvements in economic growth and the U.S. current account to a degree that no model can predict. However, news that the U.S. budget deficit was being cut more than expected and that Japan and Europe were actually implementing stimulative macroeconomic policies — signifying less reliance on dollar depreciation for external adjustment — could lead to upward market pressures on the dollar and diminish U.S. current account improvement. Only time can tell the outcome.

Statistical appendix

For key to data in tables see pages 22 and 23.

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Information herein is from sources considered to be reliable but is furnished without responsibility on the part of Morgan Guaranty Trust Company.

Effective exchange rates — industrial countries

Index numbers, 1980-82 average=100.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Neth-erlands	Spain	Swit-zerland	Den-mark	Norway	Swe-den
Nominal against 15 other industrial-country currencies																
1981	99.5	100.2	105.8	104.0	100.4	97.2	98.8	102.1	98.9	101.8	97.1	99.4	98.3	99.2	100.1	103.3
1982	109.8	99.4	98.6	100.1	93.1	102.8	92.8	98.1	101.7	92.3	102.7	94.1	106.3	95.7	101.7	92.8
1983	114.2	100.8	107.8	92.0	87.3	107.6	90.3	91.6	103.6	90.0	105.0	78.4	111.5	96.4	99.4	82.2
1984	122.4	97.3	113.0	94.2	84.4	107.4	86.7	88.1	103.6	88.9	104.0	77.4	110.5	93.9	97.8	84.3
1985	127.1	92.8	115.8	76.3	85.4	107.8	82.1	88.2	104.2	89.5	104.0	75.6	109.5	95.0	95.6	83.9
1986	106.0	87.6	150.1	61.4	87.4	116.1	82.9	80.7	107.8	92.9	110.3	73.4	118.1	99.7	89.3	81.6
1986																
October	102.1	87.0	158.4	56.8	87.3	119.4	84.4	74.4	109.0	94.3	112.9	73.4	122.3	102.1	85.9	80.8
November	103.5	87.4	152.7	58.1	87.4	119.5	84.4	75.1	109.1	94.2	112.9	72.8	120.4	102.1	84.7	80.8
December	102.5	87.6	152.4	59.0	87.5	120.2	84.6	75.0	109.4	94.5	113.3	72.6	120.2	102.5	83.9	80.5
1987																
January	98.5	88.1	156.1	57.2	87.4	122.2	84.0	74.8	110.4	95.9	114.9	71.9	121.7	103.9	83.8	79.9
February	96.9	89.7	156.4	57.2	87.9	122.7	83.9	74.8	110.7	96.4	115.0	71.3	121.4	104.6	84.4	80.0
March	96.0	90.5	157.9	58.3	87.3	121.7	83.3	78.1	110.3	95.7	114.1	71.1	121.4	103.7	84.7	80.6
March 13	97.0	90.0	156.5	58.4	87.1	121.4	83.2	78.5	110.2	95.6	113.9	71.1	120.8	103.6	85.0	80.7
20	95.9	90.9	157.5	58.2	87.3	121.6	83.3	78.4	110.3	95.6	114.0	71.2	121.5	103.8	84.7	80.7
27	95.1	91.1	159.9	58.5	87.3	121.6	83.2	78.4	110.3	95.7	114.1	71.0	121.8	103.7	84.9	80.7
April 3	94.4	91.0	162.5	59.1	87.4	121.8	83.2	77.9	110.3	95.8	114.3	71.1	121.9	103.0	85.1	80.8
10	94.2	91.2	164.0	59.5	87.2	121.4	83.0	78.7	110.1	95.6	114.0	71.1	122.2	103.2	85.2	80.7
17	93.7	90.2	166.7	59.7	87.3	121.5	83.0	78.7	110.1	95.6	114.2	71.0	123.2	103.6	85.6	79.4
24	93.9	89.4	167.6	58.8	87.1	121.2	82.9	79.0	109.9	95.5	114.0	71.2	123.8	103.1	85.7	80.9
Real against 15 other industrial-country currencies																
1981	100.8	99.5	104.8	102.6	100.0	96.9	98.9	102.5	99.4	101.4	97.1	99.6	98.7	98.9	101.3	101.9
1982	109.3	100.6	92.4	105.7	97.3	99.9	98.5	98.8	101.2	91.9	100.5	99.0	103.0	97.9	103.2	95.6
1983	112.7	102.8	96.8	101.9	94.7	101.0	101.1	93.1	102.0	88.6	100.8	88.9	105.1	100.4	102.0	90.7
1984	119.6	100.2	97.8	106.4	97.0	98.0	101.8	90.2	103.0	85.9	97.8	91.1	100.1	99.2	100.5	96.0
1985	122.5	96.5	96.6	89.5	100.5	96.7	100.2	92.8	103.3	85.3	96.6	92.5	98.0	101.2	99.5	96.9
1986	101.6	93.4	119.3	78.8	102.9	103.5	102.9	87.5	106.7	84.7	101.5	94.3	105.7	107.6	97.1	96.1
1986																
October	97.7	93.7	124.2	75.3	103.6	105.9	104.8	80.9	107.3	84.6	104.4	94.7	110.2	110.5	96.4	95.5
November	99.1	94.0	119.3	77.1	104.1	105.6	105.0	81.7	107.5	84.6	104.6	93.9	108.1	110.4	95.8	95.8
December	98.0	94.2	119.0	79.5	104.1	106.0	105.4	81.7	108.0	84.7	104.6	95.6	108.2	110.7	94.2	95.8
1987																
January	94.5	94.6	120.9	77.9	103.2	108.7	105.1	82.3	109.3	85.5	104.6	93.4	108.7	111.4	94.3	95.7
February	93.3	95.6	120.7	78.2	104.1	108.6	105.0	82.5	109.6	85.5	104.8	93.9	108.3	112.9	94.7	96.3
March	92.5	97.1	120.9	80.2	103.9	107.8	103.8	86.2	108.7	84.3	104.4	94.4	108.1	112.3	95.3	97.3
Real against 18 other industrial-country and 22 LDC currencies																
1981	99.8	99.4	104.7	102.5	99.5	96.2	98.2	102.0	98.9	100.9	96.6	98.9	98.0	98.7	101.3	101.6
1982	109.6	101.8	94.0	105.2	96.9	99.4	98.1	98.5	101.1	91.8	99.5	98.9	102.6	97.7	103.0	95.4
1983	114.9	104.6	100.4	102.1	94.4	100.6	100.8	93.0	102.1	88.2	99.5	89.2	105.1	100.3	101.9	90.9
1984	120.8	102.7	102.4	106.7	96.4	96.8	101.0	89.7	102.7	85.0	95.9	91.3	99.8	99.0	100.5	95.7
1985	124.0	99.2	101.5	90.1	100.0	95.8	99.8	92.3	102.9	84.5	94.8	93.2	97.8	101.2	99.8	96.8
1986	107.3	94.6	124.2	80.8	103.5	104.7	104.3	88.3	107.5	85.3	101.5	96.9	107.6	108.1	97.9	96.9
1986																
October	104.3	94.6	129.5	77.5	104.7	107.8	106.9	82.3	108.7	85.6	105.0	97.7	113.0	111.3	97.4	96.5
November	105.4	95.0	124.5	79.0	105.1	107.5	107.0	82.9	108.8	85.5	105.1	96.9	110.8	111.1	96.7	96.9
December	104.8	95.3	124.3	81.5	105.4	108.1	107.7	83.1	109.4	85.7	105.2	99.0	111.1	111.5	95.2	96.9
1987																
January	101.6	95.3	125.8	80.0	104.6	111.2	107.9	83.9	111.1	86.7	105.7	97.1	111.9	112.3	95.3	96.9
February	100.7	96.4	125.4	80.3	105.6	111.3	107.8	84.2	111.5	86.9	106.1	97.7	111.7	113.9	95.8	97.6
March	100.2	97.9	126.0	82.4	105.3	110.4	106.7	88.0	110.4	85.6	105.5	98.3	111.3	113.3	96.4	96.7

Real effective exchange rates – developing countries

Index numbers, 1980-82 average=100.

	Argentina	Brazil	Chile	Colombia	Mexico	Peru	Venezuela	Hong Kong	Indonesia	Korea	Malaysia	Philippines	Singapore	Taiwan	Israel	Turkey
1981	107.8	103.3	108.3	100.6	114.4	103.3	99.7	98.9	99.8	100.3	99.4	101.2	102.0	101.8	99.3	104.7
1982	77.0	112.9	97.3	105.9	82.9	104.6	110.2	101.6	111.7	101.9	105.6	106.7	100.8	96.6	108.6	96.0
1983	71.5	86.2	89.2	104.9	78.8	98.4	117.2	95.8	96.2	97.6	113.9	96.1	101.8	94.5	120.8	93.5
1984	80.1	85.7	90.1	99.6	91.8	105.8	86.0	100.2	96.8	96.5	119.7	107.9	102.4	97.1	119.5	91.1
1985	71.2	85.1	79.7	85.6	90.5	96.3	93.0	104.2	96.3	89.2	116.3	114.6	95.7	94.6	106.8	91.5
1986	61.0	74.5	68.7	67.7	65.1	93.8	87.2	94.0	72.3	73.9	95.3	90.2	80.3	87.2	101.0	71.1
1986																
April	61.8	73.8	68.5	70.1	66.7	90.8	89.8	95.5	81.3	76.6	94.6	89.9	80.9	88.7	100.7	71.9
May	60.9	72.8	68.6	68.1	65.7	90.7	89.8	95.2	80.2	75.1	92.9	88.4	79.1	88.4	101.6	71.4
June	61.3	73.1	70.3	67.8	66.7	92.0	90.2	96.2	80.4	75.4	93.1	87.4	79.3	89.5	101.9	70.9
July	61.6	72.7	69.6	66.8	65.0	92.0	89.6	91.7	78.1	70.7	92.0	87.8	78.6	89.0	101.0	69.8
August	60.9	72.2	67.9	65.9	62.3	91.6	89.7	90.3	76.6	69.8	91.5	85.8	78.5	89.1	99.5	67.8
September	58.8	72.4	67.7	65.9	60.7	93.6	90.0	92.3	61.9	70.4	91.1	86.5	78.0	84.9	100.5	67.4
October	58.8	71.7	67.8	64.9	60.5	96.7	90.8	92.3	55.4	70.6	93.1	88.1	77.6	84.6	100.9	67.7
November	59.4	72.9	68.2	64.6	60.7	100.9	92.3	94.8	56.3	71.9	95.0	89.1	78.7	85.4	102.0	65.8
December	58.7	76.0	68.0	64.5	59.7	105.1	60.3	93.6	56.0	72.0	93.3	90.1	78.5	85.8	102.0	64.6
1987																
January	56.4	76.0	65.0	64.9	60.4	90.7	52.8	89.5	54.7	70.4	91.5	88.4	77.2	85.2	92.7	63.5
February	55.8	71.3	65.0	64.8	60.0	93.7	53.3	89.0	54.7	70.9	91.6	86.1	74.9	84.8	92.0	63.6
March	48.1	67.1	65.8	64.9	58.8	97.1	53.3	89.2	53.7	72.3	90.6	86.1	74.7	86.1	92.4	64.4

International banking market size

at end of period, billions of dollars

	1981	1982	1983	1984	1985		1986		
					Sep	Dec	Mar	Jun	Sep
Gross claims									
Eurocurrencies, on residents and nonresidents	**1 929**	**2 146**	**2 253**	**2 359**	**2 622**	**2 833**	**2 947**	**3 040**	**3 347**
On nonbanks	557	634	665	694	761	822	854	875	914
On banks	1 372	1 512	1 588	1 665	1 861	2 011	2 093	2 165	2 433
In dollars	1 504	1 694	1 797	1 894	2 002	2 101	2 138	2 166	2 381
In other currencies	425	452	456	465	620	732	809	874	966
Domestic currencies, on nonresidents	**385**	**398**	**402**	**402**	**451**	**506**	**535**	**578**	**633**
On nonbanks	128	132	140	142	165	187	186	201	211
On banks	237	266	262	260	286	319	349	377	422
In dollars	188	211	221	215	205	215	203	210	219
In other currencies	177	187	181	187	246	291	332	368	414
Total	**2 294**	**2 544**	**2 655**	**2 761**	**3 073**	**3 339**	**3 482**	**3 618**	**3 980**
On nonbanks	685	766	805	836	926	1 009	1 040	1 076	1 125
On banks	1 609	1 778	1 850	1 925	2 147	2 330	2 442	2 542	2 855
In dollars	1 692	1 905	2 018	2 109	2 207	2 316	2 341	2 376	2 600
In other currencies	602	639	637	652	866	1 023	1 141	1 242	1 380
Gross liabilities									
Eurocurrencies, to residents and nonresidents	**1 954**	**2 168**	**2 278**	**2 386**	**2 641**	**2 846**	**2 984**	**3 059**	**3 379**
To nonbanks	372	432	479	497	546	585	610	632	662
To official monetary institutions	112	91	88	96	109	112	106	109	117
To other banks	1 470	1 645	1 711	1 793	1 986	2 149	2 248	2 318	2 600
In dollars	1 539	1 741	1 846	1 950	2 045	2 147	2 166	2 204	2 420
In other currencies	415	427	432	436	596	699	798	855	959
Domestic currencies, to nonresidents	**263**	**250**	**260**	**280**	**341**	**377**	**394**	**418**	**464**
To nonbanks	74	70	73	80	103	114	121	121	121
To banks	189	180	187	200	238	263	273	297	343
In dollars	126	116	135	146	159	169	166	171	191
In other currencies	137	134	125	134	182	208	228	247	273
Total	**2 217**	**2 418**	**2 538**	**2 666**	**2 982**	**3 223**	**3 358**	**3 477**	**3 843**
To nonbanks	446	502	552	577	649	699	731	753	783
To banks and official institutions	1 771	1 916	1 986	2 089	2 333	2 524	2 627	2 724	3 060
In dollars	1 665	1 857	1 981	2 096	2 204	2 316	2 332	2 375	2 611
In other currencies	552	561	557	570	778	907	1 026	1 102	1 232
Net market size	**1 155**	**1 285**	**1 382**	**1 430**	**1 572**	**1 676**	**1 735**	**1 800**	**1 910**

International bond issues and bank credits

millions of dollars

	1984	1985	1986	1987			Jan-Mar	
				Jan	Feb	Mar	1987	1986
By country of borrower								
Industrial countries	**177 077**	**226 711**	**270 231**	**21 575**	**21 836**	**20 096**	**63 507**	**59 925**
Australia	5 816	14 407	20 106	1 122	1 042	840	3 004	5 213
Austria	2 254	2 435	3 581	657	738	190	1 584	1 211
Belgium	1 847	3 269	4 952	697	108	210	1 015	1 788
Canada	13 124	17 184	21 633	957	882	963	2 802	4 093
Denmark	4 825	3 589	9 633	1 647	789	442	2 878	475
Finland	1 713	1 846	3 445	504	443	245	1 191	780
France	11 298	19 773	19 701	1 110	3 028	1 213	5 351	4 177
Germany	2 165	3 452	11 927	2 162	1 319	1 319	4 800	1 887
Greece	1 551	1 587	1 317	—	110	—	110	67
Ireland	1 377	1 881	4 179	—	113	—	113	664
Italy	6 933	11 033	12 962	686	480	583	1 750	2 321
Japan	17 526	21 269	35 506	2 206	3 176	4 558	9 940	5 791
Netherlands	1 973	2 299	3 579	672	452	358	1 483	1 185
New Zealand	3 208	2 707	6 078	789	438	259	1 486	1 332
Norway	1 324	3 905	6 644	782	668	1 459	2 909	600
Portugal	1 796	2 362	2 433	215	—	43	258	623
South Africa	1 422	825	—	—	—	—	—	—
Spain	4 931	3 913	7 015	55	342	—	396	490
Sweden	11 256	9 890	8 020	595	934	729	2 258	4 615
United Kingdom	8 899	25 424	24 295	3 778	1 208	2 422	7 407	5 504
United States	65 054	69 193	56 774	2 084	5 054	3 930	11 067	15 635
*Other**	6 785	5 447	4 448	859	511	334	1 704	1 483
Developing countries	**39 725**	**32 139**	**24 317**	**565**	**1 748**	**1 299**	**3 612**	**6 906**
Latin American countries	**17 464**	**8 115**	**3 192**	**—**	**551**	**54**	**605**	**512**
Argentina	4 212	3 700	17	—	—	—	—	17
Brazil	6 649	—	219	—	—	—	—	—
Chile	784	1 085	—	—	—	—	—	—
Colombia	589	1 052	89	—	—	—	—	—
Mexico	3 918	109	313	—	—	—	—	—
Venezuela	—	48	—	—	—	—	—	—
*Other***	1 312	2 121	2 554	—	551	54	606	495
Asian countries	**15 893**	**18 410**	**15 291**	**465**	**852**	**834**	**2 151**	**5 358**
India	945	818	1 721	25	252	262	539	686
Indonesia	1 924	451	1 358	16	175	—	191	956
Korea	6 201	5 898	3 134	25	—	145	170	1 133
Malaysia	2 605	2 219	1 328	20	65	—	84	54
Philippines	925	925	—	—	—	—	—	—
Thailand	1 221	1 497	1 401	—	—	100	100	610
Other	2 072	6 602	6 350	380	360	327	1 069	1 918
Middle Eastern and African countries	**6 368**	**5 613**	**5 834**	**100**	**345**	**412**	**857**	**1 036**
Algeria	821	1 450	1 344	—	—	75	75	407
Nigeria	985	—	—	—	—	—	—	—
Turkey	741	1 203	2 637	—	305	187	492	403
Other	3 821	2 960	1 853	100	40	150	290	226
Eastern European countries	**3 244**	**5 236**	**4 091**	**24**	**662**	**360**	**1 046**	**1 011**
Hungary	1 388	1 577	1 315	—	472	—	472	311
Soviet Union	1 051	1 489	1 821	24	190	79	293	550
*Other****	807	2 169	955	—	—	280	280	150
International organizations****	**13 287**	**20 635**	**18 916**	**2 261**	**2 303**	**1 374**	**5 938**	**6 033**
By type of instrument and currency								
International bond issues	**107 411**	**167 756**	**226 393**	**17 998**	**20 772**	**19 723**	**58 493**	**54 024**
Eurobonds	79 458	136 731	187 952	14 707	17 090	17 507	49 304	42 920
U.S. dollar	63 593	97 782	118 220	5 365	6 017	6 219	17 601	25 988
German mark	4 604	9 491	16 870	2 955	3 244	1 306	7 505	4 356
British pound	3 997	5 766	10 510	1 069	1 540	2 760	5 369	2 993
Japanese yen	1 212	6 539	18 673	1 603	3 216	3 349	8 168	4 626
European composite units	3 032	7 038	6 965	1 909	684	784	3 377	1 469
Other	3 020	10 114	16 713	1 806	2 388	3 089	7 284	3 487
Foreign bonds	27 953	31 025	38 441	3 291	3 683	2 215	9 189	11 103
U.S. dollar	5 487	4 655	6 064	450	500	600	1 550	2 264
German mark	2 243	1 741	—	—	—	—	—	—
British pound	1 292	958	322	—	—	—	—	109
Swiss franc	12 626	14 954	23 401	2 338	2 207	1 447	5 992	5 758
Japanese yen	4 628	6 379	4 756	248	736	—	981	2 345
Other	1 677	2 339	3 898	257	241	166	666	627
International bank credits	**125 922**	**116 964**	**91 164**	**6 427**	**5 777**	**3 406**	**15 610**	**19 851**
Eurocurrency credits	112 605	110 317	82 755	5 842	5 170	2 781	13 793	18 304
Foreign credits	13 317	6 647	8 409	585	607	625	1 817	1 546
Total	**233 333**	**284 720**	**317 556**	**24 425**	**26 549**	**23 129**	**74 103**	**73 874**

*Includes multinational organizations. **Includes unallocated. ***Includes COMECON institutions. ****Includes regional development organizations.

Eurocurrency deposit rates

prime banks' bid rates, at or near end of month

	1983	1984	1985	1986				1987		
	Dec	Dec	Dec	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Eurodollar										
overnight	9.50	8.63	12.25	5.88	5.75	6.06	22.00	6.00	6.87	6.25
one month	9.69	8.38	8.00	6.00	5.81	6.25	6.50	6.06	6.31	6.44
three months	9.81	8.63	7.88	6.00	5.81	6.00	6.25	6.12	6.31	6.50
six months	10.06	9.13	7.88	6.00	5.81	5.94	6.12	6.12	6.31	6.56
twelve months	10.38	9.81	7.94	6.19	5.88	6.00	6.12	6.12	6.37	6.69
Euro-Canadian dollar										
one month	9.13	9.88	9.00	7.94	8.06	8.19	8.00	7.37	7.12	6.87
three months	9.50	10.81	9.00	8.19	8.31	8.31	8.12	7.37	7.25	6.87
six months	9.75	10.06	9.00	8.50	8.50	8.19	8.19	7.37	7.44	6.94
twelve months	10.00	10.44	9.00	8.75	8.69	8.56	8.31	7.50	7.62	7.06
Euro-French franc										
one month	12.13	10.69	12.50	7.38	7.38	7.56	10.12	8.81	8.31	8.19
three months	12.19	10.69	13.00	7.88	7.19	8.19	10.37	8.87	8.44	8.25
six months	12.31	11.00	13.13	7.75	7.88	8.37	9.75	8.81	8.44	8.31
twelve months	12.63	11.38	12.25	8.63	7.88	8.37	8.75	8.81	8.44	8.31
Euromark										
one month	5.25	5.50	4.75	4.50	4.44	4.69	5.12	4.00	3.94	3.87
three months	5.88	5.50	4.75	4.50	4.50	4.62	4.87	4.12	4.00	3.87
six months	6.13	5.56	4.75	4.56	4.56	4.69	4.81	4.12	4.00	3.87
twelve months	6.38	5.56	4.81	4.63	4.63	4.69	4.81	4.19	4.12	4.00
Euro-Dutch guilder										
one month	5.81	5.69	5.75	5.31	5.31	5.81	6.31	5.44	5.31	5.31
three months	6.00	5.75	5.75	5.25	5.31	5.69	6.00	5.31	5.31	5.31
six months	6.25	5.81	5.81	5.25	5.31	5.56	5.87	5.19	5.25	5.31
twelve months	6.38	5.94	5.88	5.25	5.31	5.56	5.81	5.19	5.25	5.31
Euro-Swiss franc										
one month	3.38	4.44	3.88	3.81	2.94	3.87	3.94	3.25	4.19	3.25
three months	3.75	4.56	4.00	4.00	3.75	3.87	3.94	3.19	3.94	3.69
six months	3.94	4.63	4.00	4.06	3.75	3.87	3.87	3.31	3.87	3.69
twelve months	3.94	4.69	4.06	4.06	3.81	3.87	3.87	3.62	3.94	3.75
Eurosterling										
one month	9.13	9.50	11.69	10.50	10.81	11.06	11.12	11.06	11.12	10.00
three months	9.31	9.88	11.81	10.19	11.13	11.37	11.12	11.00	10.69	9.81
six months	9.50	10.00	11.81	10.75	11.13	11.37	11.06	10.87	10.37	9.69
twelve months	9.81	10.19	11.69	10.81	11.06	11.37	11.06	10.75	10.31	9.62
Euroyen										
one month	6.25	6.19	7.13	4.94	4.25	4.62	4.56	4.37	4.56	3.94
three months	6.31	6.19	6.56	4.88	4.56	4.50	4.50	4.25	4.25	4.00
six months	6.38	6.13	6.50	4.88	4.56	4.50	4.37	4.12	4.12	4.00
twelve months	6.44	6.13	6.38	4.88	4.56	4.50	4.31	4.06	4.06	4.00
European currency unit										
one month	8.81	9.25	9.63	7.25	7.44	7.56	8.56	7.62	7.44	7.16
three months	9.19	9.38	9.63	7.25	7.56	7.62	8.44	7.56	7.44	7.16
six months	9.44	9.50	9.63	7.25	7.50	7.62	8.06	7.50	7.44	7.16
twelve months	9.63	9.63	9.63	7.25	7.50	7.56	7.31	7.50	7.37	7.19

International bond yields

average yield of several actively traded, high quality issues with a maturity of 7 to 12 years at or near end of month

	1984	1985	1986					1987		
	Dec	Dec	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
United States companies										
Eurodollar	11.25	9.68	8.60	9.04	8.76	8.71	8.67	8.70	8.71	8.78
Euromark	6.95	6.73	6.55	6.73	6.66	6.63	6.62	6.64	6.60	6.56
Swiss franc	5.73	5.49	5.63	5.65	5.67	5.73	5.70	5.67	5.64	5.68
European governments										
Eurodollar	12.04	10.52	9.73	9.92	9.85	9.81	9.91	9.85	10.03	10.08
Euromark	7.39	7.03	6.64	6.63	6.78	6.88	6.77	6.64	6.70	6.50
Swiss franc	5.24	4.91	4.66	4.61	4.57	4.58	4.51	4.40	4.35	4.37
European currency unit	10.64	10.23	10.17	10.23	10.49	10.55	10.20	10.38	10.37	10.26

Central bank discount rates

at or near end of month

	1983	1984	1985	1986		1987			Current	
	Dec	Dec	Dec	Nov	Dec	Jan	Feb	Mar	Apr 30 1987	effective since
United States	8.50	8.00	7.50	5.50	5.50	5.50	5.50	5.50	5.50	Aug 21, 86
Canada	9.96	10.09	9.49	8.49	8.47	7.49	7.53	7.05	8.33	Apr 30, 87
Austria	3.75	4.50	4.00	4.00	4.00	3.50	3.50	3.50	3.50	Jan 23, 87
Belgium	10.00	11.00	9.75	8.00	8.00	8.50	8.50	8.00	8.00	Mar 12, 87
Denmark	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	Oct 27, 83
Finland	9.50	9.50	9.00	7.00	7.00	7.00	7.00	7.00	7.00	May 19, 86
France	9.50	9.50	9.50	9.50	9 50	9.50	9.50	9.50	9.50	Aug 31, 77
Germany	4.00	4.50	4.00	3.50	3 50	3.00	3.00	3.00	3.00	Jan 23, 87
Ireland	12.25	14.00	10.25	13.25	13 25	13.25	13.25	13 25	12 75	Apr 16, 87
Italy	17.00	16.50	15.00	12.00	12 00	12.00	12.00	11 50	11.50	Mar 14, 87
Netherlands	5.00	5.00	5.00	4.50	4.50	4.50	4.50	4.50	4.50	Mar 7, 86
Norway	8.00	8.00	8.00	8.00	8.00	n.a.	n.a.	n.a.	n a.	Jun 6, 83
Portugal	25.00	25.00	19.00	14.50	16 00	15.50	15.50	15 00	15.00	Mar 23, 87
Spain	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8 00	8.00	Jul 26, 77
Sweden	9.50	9.50	10.50	7.50	7.50	7.50	7.50	7.50	7.50	Sep 19, 86
Switzerland	4.00	4.00	4.00	4.00	4.00	3.50	3.50	3.50	3.50	Jan 22, 87
United Kingdom	9.00	9.38	11.31	10.81	10.81	10.81	10.81	9.81	9.31	Apr 28, 87
Japan	5.00	5.00	5.00	3.00	3.00	3 00	2.50	2.50	2 50	Feb 23, 87
New Zealand	7.50	13.50	19.80	19.80	24.60	24.30	25.80	n a.	25 80	Feb, 87
South Africa	18.50	21.75	13.50	10.50	10.00	10.00	10.00	10.00	10.00	Dec 10, 86
Argentina*	15.10	18.19	5.00	10.59	11.19	11.53	10.76	6 25	6.25	Mar 31, 87
Korea	5.00	5.00	5.00	7.00	7.00	7.00	7.00	7.00	7.00	Jul 10, 86
Philippines	6.05	12.11	11.50	9.74	9.64	n.a.	n.a.	n.a.	9 64	Dec 86
Singapore	7.00	6.75	5.00	5.00	5 00	5.00	5.00	5 00	5.00	Jul, 85
Thailand	13.00	12.00	11.00	8.00	8 00	8.00	8 00	8.00	8.00	Sep 1, 86
Venezuela	11.00	11.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	Mar, 85

*Percent per month.

Day-to-day money rates

monthly averages

	1983	1984	1985	1986					1987		
	Dec	Dec	Dec	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
United States	9.47	8.38	8.27	6.16	5 92	5.84	5.64	6.71	6.43	5.45	6.13
Canada	8.78	10.50	9.23	8.10	8.10	8.38	8.28	8.28	8.03	7.22	7.16
Austria	5.75	7.63	7.25	5.13	5 50	5.37	5 00	7.62	4.25	4.25	4.12
Belgium	7.39	9.12	6 60	6.37	5 76	6 26	5 81	5.06	7.75	6 90	6.22
Finland	16.70	15.07	11.96	24.17	13.86	11.93	11.80	11 97	11.99	11.76	11.44
France	12.27	10.95	9.01	7.06	7.06	7.31	7.26	7 28	8.60	8.38	7.80
Germany	5.61	5.62	4.64	4.49	4.39	4.41	4.45	5.00	4 23	3.84	3.87
Ireland	12.19	14.50	9.62	9.75	9 63	11.00	13.13	13 00	13.38	13.94	13 75
Italy	17.88	17.25	14.75	11.76	11.25	10.98	9.67	11.42	11.88	11.81	11 22
Netherlands	5.84	5.60	5.75	5.56	5.31	5.38	5 60	6.19	6.20	5.31	5.56
Norway	12.30	12.50	12.40	14.00	14.00	14.00	14.00	14.00	n.a.	n.a.	n a.
Spain	16 98	12.18	9 92	12 34	11.58	11.68	11.69	11.76	12.21	12.47	14 43
Sweden	11.52	11.86	11.83	9.52	8 92	8.51	8.64	8.89	9.09	12 00	12.00
Switzerland	1.88	1.50	2.00	2.00	2.00	1.00	1.00	1.12	1.00	1.00	1 00
United Kingdom	7.78	6.31	9.72	8.70	8.06	11.19	10.62	9.19	11.00	10.88	10.30
Australia	4.55	10.98	18.37	16 42	17.22	17.13	16.21	15.40	15.13	16 22	16 05
Japan	6.44	6.41	8.02	4.55	4.63	4.41	3.77	4.18	4 00	4 05	3 66
South Africa	16.06	21.13	12.50	9.81	9.63	9.63	8.87	8.50	9.00	8.50	8.37
Argentina*	14.65	17.75	4.50	7.00	6.00	7.00	7.00	7.00	7.00	4.00	5.32
Brazil	184.69	272.02	352.23	35.60	45.58	44.24	55.55	83.05	270.00	n.a.	n.a.
Hong Kong	13.90	6.80	6.10	5.64	4.93	3.21	4.15	3 90	2.78	1.97	3.76
Korea	11.40	10.00	8.80	9.30	9.50	9 30	9.30	9 00	8.50	8.60	8.80
Philippines	31.18	15.22	15.03	8.99	11.72	8.42	7 98	n.a.	n.a.	n.a.	n.a.
Singapore	7.05	6.01	4.53	3.95	2.26	2.47	2.62	3.51	3.10	3.22	2 24
Taiwan	7.65	8.07	4.50	3.50	3.50	3.50	3.60	3.00	3.25	3.25	3.10

*Percent per month.

Treasury bill rates

bond equivalent yields, at or near end of month

	1983	1984	1985	1986					1987		
	Dec	Dec	Dec	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
United States	9.28	7.99	7.25	5.23	5.30	5.25	5.44	5.73	5.66	5.49	5.76
Canada	9.71	9.84	9.24	8.33	8.35	8.30	8.24	8.22	7.24	7.28	6.80
Belgium	11.00	10.90	9.89	7.45	7.45	7.48	7.45	7.50	7.99	7.86	7.50
Ireland	12.01	15.10	11.15	10.65	10.61	13.79	14.22	13.60	13.91	13.67	13.51
Italy	16.29	14.19	12.70	10.39	10.34	10.13	10.00	10.00	9.94	9.74	9.66
Netherlands	5.63	5.88	5.69	4.75	5.63	5.38	5.81	6.37	5.94	5.88	5.44
Spain	14.46	12.00	9.25	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.
Sweden	11.75	11.83	12.49	9.25	8.66	8.44	9.05	9.20	10.25	10.80	10.31
United Kingdom	9.04	9.33	11.49	9.56	9.93	10.65	10.96	10.75	10.56	10.47	9.54
Australia	8.54	12.27	19.40	17.20	17.51	16.18	15.49	14.91	16.64	16.32	15.47
Japan	4.91	4.91	4.91	3.39	3.39	3.39	2.89	2.89	2.89	2.89	2.36
New Zealand	7.80	13.50	17.62	16.53	15.36	16.00	16.44	19.69	22.36	25.36	n.t.
South Africa	18.43	21.94	12.99	9.51	9.20	9.17	8.62	8.84	8.77	8.76	8.26
Brazil	179.15	273.03	379.77	36.00	42.00	45.00	33.00	149.00	276.40	n.a.	n.a.
Mexico	53.78	48.67	72.98	n.t.	n.t.	n.t.	103.77	104.03	104.64	104.83	n.a.
Philippines	15.99	47.14	16.45	13.00	12.75	12.58	11.32	n.a.	n.a.	n.a.	n.a.
Singapore	2.59	2.91	2.94	2.16	2.01	1.99	1.93	2.10	2.19	1.67	1.93

Representative money market rates

bond-equivalent yields on major short-term (mostly 3-4 month) money market instruments other than Treasury bills, at or near end of month

	1983	1984	1985	1986					1987		
	Dec	Dec	Dec	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
United States	9.80	8.34	8.01	5.65	5.98	6.99	5.96	6.04	6.97	6.24	6.70
Canada	9.87	10.10	9.45	8.35	8.50	8.50	8.35	8.20	7.55	7.45	7.05
Belgium	11.15	10.85	9.89	7.40	7.35	7.50	7.50	7.60	7.86	7.81	7.50
France	12.19	10.69	9.12	7.13	7.43	7.50	7.50	8.37	8.50	8.25	7.87
Germany	6.30	5.75	4.80	4.30	4.40	4.60	4.65	4.85	3.90	3.85	3.65
Ireland	12.19	15.13	12.00	10.63	11.25	14.00	14.44	14.06	14.12	14.25	13.37
Italy	17.88	16.88	15.13	11.00	10.62	11.00	11.12	11.37	11.37	11.12	10.12
Netherlands	6.00	5.75	5.75	5.25	5.44	5.44	5.81	6.19	5.44	5.50	5.55
Portugal	24.11	24.57	20.71	15.93	15.96	15.96	15.93	16.07	14.95	14.94	14.96
Spain	19.00	12.21	10.51	12.18	11.53	11.41	11.52	11.79	12.35	12.60	14.60
Switzerland	3.88	5.00	4.75	4.25	4.25	4.19	4.00	4.50	3.75	4.00	3.87
United Kingdom	9.31	9.88	12.75	9.63	10.38	11.12	11.44	11.25	11.12	10.19	10.06
Australia	9.05	12.90	19.75	17.70	17.85	16.45	15.90	15.10	16.40	16.60	16.30
Japan	6.45	6.33	7.03	4.53	4.75	4.54	4.43	4.34	4.22	3.96	3.98
New Zealand	11.75	15.00	20.00	16.30	16.50	16.50	16.50	24.25	23.60	25.15	25.60
South Africa	19.12	22.78	13.35	9.35	9.55	9.65	8.90	8.55	9.20	9.05	8.40
Chile	20.68	20.68	22.42	11.35	12.68	20.98	20.98	19.56	25.34	25.34	23.87
Hong Kong	14.88	8.25	6.50	5.00	5.25	4.38	4.44	4.62	3.44	4.37	4.87
Indonesia	19.50	19.00	15.00	14.00	14.50	14.25	14.50	19.50	16.50	16.00	17.00
Korea	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Malaysia	9.80	10.30	8.20	11.75	12.00	9.50	6.70	6.00	5.30	3.90	2.60
Philippines	15.61	33.21	14.61	11.76	9.89	11.19	10.31	8.31	8.34	n.a.	n.a.
Singapore	6.44	7.00	5.88	3.94	3.25	2.94	3.19	3.94	3.34	3.31	3.26
Taiwan	8.07	7.85	4.10	2.81	2.65	2.65	2.86	n.a.	n.a.	n.a.	n.a.
Thailand	16.00	12.00	15.50	8.00	7.50	7.50	7.75	7.75	7.75	n.a.	n.a.

Commercial bank deposit rates

at or near end of month

	1983	1984	1985	1986					1987		
	Dec	Dec	Dec	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
United States	9.70	8.35	7.75	5.47	5.80	5.75	5.78	6.30	6.00	6.13	6.30
Canada	9.82	10.05	9.40	8.30	8.45	8.45	8.30	8.15	7.50	7.40	7.00
Austria	6.50	7.50	6.50	5.13	5 75	5 62	5.37	5 50	5.12	4.75	4.50
Belgium	11.25	10.63	9.63	7.19	7.25	7.31	7.37	7.44	7.75	7.69	7.37
Denmark	6.00	6.00	7.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Finland	5.25	5.25	4.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
France	7.66	7.04	6.12	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Germany	5.90	5.25	4.40	4.45	4.40	4.50	4.60	4.80	4.70	3.90	3.95
Ireland	11.75	14.63	11.87	10.00	10.50	12.00	14.12	13 75	14.00	14.00	13.25
Italy	13.25	11.64	11.85	n.a.	n.a.	n.a.	n.a.	n.a.	n a.	n.a.	n.a.
Netherlands	6.13	5.69	5.81	5.19	5.31	5.31	5.69	6 06	5.31	5.37	5 37
Norway	12.75	12.75	12.00	13.00	13.00	13.00	n.a.	n a.	n.a	n.a.	n.a.
Portugal	21.50	26.00	20.00	15.50	15.50	15.00	15.00	15.00	15 00	15.00	14 50
Spain	12.62	11.64	9.64	8.89	8.78	8.78	8.65	8.67	8.54	8.57	n a.
Sweden	11.70	11.45	12.18	9.70	9 27	8.63	9.85	9 93	10.30	11.00	10.75
Switzerland	3.50	4.50	4.50	4.00	4.00	3.94	3.75	4.25	3.50	3.75	3.62
United Kingdom	9.31	9.88	11.75	9.63	10.37	11.13	11.25	11 19	11.00	10.59	9.84
Australia	10.40	12.75	18.80	16.68	17.82	16.71	15.73	15 56	15.73	16.62	16 15
Japan	6.40	6.38	7.05	4.80	4.95	4.63	4.65	4.55	4.16	4.17	4.20
New Zealand	11.75	15.25	19.98	16.57	15.50	16 60	19.00	23.50	22.72	23.70	23 30
South Africa	20.13	22.88	13.20	9.75	9.50	9.75	9.25	8.65	9.50	9.25	8.75
Argentina*	14.50	31.23	5.40	6.18	6.94	7.65	7 97	8 41	8.81	4.43	4.86
Brazil	23.00	27.00	18 00	42.00	44.00	49.00	85.00	220.00	400 00	n.a.	n.a.
Chile	20.57	20.68	23.60	13.62	16.49	20.70	20.27	20.98	26.97	27 42	24 31
Hong Kong	14.88	8.25	6.50	5.00	5.25	4.38	4.44	4 62	3 44	4 37	4.77
Korea	7.60	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6 00	6.00
Malaysia	7.75	9.58	7.00	7.00	7.00	7.00	6.42	6.33	4.83	4.66	2.33
Mexico	57.15	47.45	72.90	87.50	94.30	94.30	94 30	94.30	94.30	94.30	n.a.
Philippines	14.96	31.01	12.34	10.68	9.77	9 35	9.55	n.a.	n.a.	n.a.	n a.
Singapore	7.44	6.13	5.26	3.88	3.19	2.88	3.13	3.63	3.19	3.32	3.32
Taiwan	7.00	6.50	5.25	4.25	4.50	4.00	4.00	4.00	4.00	4.00	4.00
Thailand	10.00	13.00	10.50	6.75	6.75	6.75	6.75	6 75	6 75	6 75	6.75
Venezuela	12.00	12.50	8.00	9.00	8.00	8.00	8 00	8.00	8.00	8.00	8.00

*Percent per month.

Domestic government bond yields

long-term issues, at or near end of month

	1983	1984	1985	1986					1987		
	Dec	Dec	Dec	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
United States	12.00	11.61	9.49	7.51	7.95	7.81	7.69	7.79	7.17	7.62	7.90
Canada	12.02	11.66	10.04	9.16	9.44	9.53	9.26	9.23	8.94	9.10	8.98
Austria	8.02	8.04	7.61	7.11	7 06	7 25	7.36	7.33	7.25	7 05	6 93
Belgium	11.69	11.56	9.60	7.24	7 36	7.31	7.41	7.70	7.57	7.57	7.64
Denmark	12.96	14.60	9.67	11.24	11.11	11.16	11 80	11.70	11.33	12 63	12 23
Finland	11.16	10.73	10.58	8.15	7.75	7.90	7.74	7.80	7.78	7 82	7.89
France	13.96	12.70	11.33	8.05	8 51	8 97	9.49	9.89	9.54	9 84	9.42
Germany	8.38	7.17	6.57	5.95	6.26	6.44	6.33	6.25	6.20	6 26	6.12
Ireland	14.25	14.90	11.84	11.33	12.46	13 65	13.49	13.97	12 97	11.16	12.41
Italy	17.09	14.52	13.66	10 79	10 42	10 25	10.33	10 05	9.78	9 84	10 04
Netherlands	8.58	7.72	6.96	6.03	6.04	6.22	6.30	6 40	6.21	6.15	6.22
Norway	12.50	12.00	13.10	13.40	13.40	13.40	n.a.	n.a.	n.a.	n.a.	n.a.
Portugal	22.11	22.23	n.a.	n.a.	n.a.	n.a.	n a	n.a.	n.a.	n.a.	n.a.
Spain	17.25	13.93	12.30	11.52	11.10	10.15	10.29	10.36	10 74	10.59	10 95
Sweden	12.30	12.04	12.11	9.63	9 49	9 31	10.35	10.66	11.70	11.23	10.70
Switzerland	4.53	4.60	4.42	4 20	4 17	4.09	4 07	4 05	3 93	4 01	4.11
United Kingdom	9.94	10.25	10.35	9.31	10.31	10.40	10.58	10.17	10.64	9.51	9.15
Australia	13.65	13.50	14.85	14.10	13.85	13 60	13.60	13.40	13.80	14.00	13.41
Japan	6 94	6.30	5 62	4 73	5 00	4.85	4.73	4.61	4.25	3.98	3 72
New Zealand	10.50	16.90	17.00	15.90	15 35	15 18	16.00	15.85	16.20	16 80	16 20
South Africa	13.64	16.55	16.09	14.03	15.24	15.83	14.13	15.06	15.33	15.30	14.66
Philippines	14.47	18.54	n.t.	n.t.	n.t.	n.t.	n.t.	n.a.	n.a.	n.a.	n.a.
Venezuela	13.50	14.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00

Commercial bank lending rates to prime borrowers

at or near end of month

	1983	1984	1985	1986					1987		
	Dec	Dec	Dec	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
United States	11.00	10.75	9.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Canada	11.00	11.25	10.00	9.75	9.75	9.75	9.75	9.75	9.25	9.25	8.75
Austria	9.25	9.25	9.00	9.00	9.00	9.00	9.00	9.00	9.00	8.75	8.75
Belgium	13.75	14.00	11.50	9.75	9.75	9.75	9.75	9.75	10.75	10.25	9.75
Denmark	10.00	10.50	8.50	8.00	8.00	8.00	8.00	8.00	9.50	10.00	10.00
Finland	10.18	10.68	10.37	8.79	8.77	8.75	8.74	8.81	8.81	8.80	n.a.
France	12.25	12.00	10.60	9.60	9.45	9.45	9.45	9.45	9.45	9.45	9.45
Germany	7.75	7.75	7.25	6.75	6.75	6.75	6.75	6.75	6.75	6.25	6.25
Ireland	13.75	15.75	12.50	12.25	12.25	15.75	15.75	15.75	15.75	15.75	15.75
Italy	18.75	18.00	15.88	13.50	13.00	13.00	13.00	13.00	13.00	13.00	12.50
Netherlands	7.00	6.25	6.25	5.88	5.88	5.88	6.12	7 12	6.12	5.75	5.87
Norway	13.50	13.00	12.40	15.25	15.75	15.88	n.a.	n.a.	n.a.	n a.	n.a.
Portugal	30.00	29.00	22.50	18.00	18 00	17 50	17.50	17.50	17 50	17.50	19.50
Spain	17.31	15.84	14.75	14.36	14.29	14.25	14.23	14.22	14.24	14 24	14.57
Sweden	13.50	14.50	15.05	12.75	11.50	11.50	11.50	11.50	11.50	11 50	11.50
Switzerland	6.00	6.00	6.00	5.75	5.75	5.75	5.75	5 75	5.25	5.25	5.25
United Kingdom	9.00	9.50	11.50	10.00	10.00	11.00	11.00	11.00	11.00	11.00	10.00
Australia	12.75	14.00	21.00	18.50	19.00	19.00	18 50	18.25	18.00	18.25	18.25
Japan	5.89	5.70	5.71	4.52	4.48	4.48	4.45	4 35	4.28	n.a.	n.a.
New Zealand	11.00	14.00	21 00	16.50	17 00	18 50	18.50	18 50	24.00	25.00	27 00
South Africa	20.00	24.00	16.50	14.00	13.50	13.50	13.50	12.00	12.50	12.50	12.50
Argentina*	15.50	32.05	7.30	7.70	8.62	8.70	8.85	11.30	9.85	5.45	5.71
Brazil	24.00	31.00	19 00	44 00	46.00	51.00	88.00	250.00	440.00	n.a.	n a.
Chile	30.90	60.82	33.34	26.38	23.51	27.20	29.13	29.13	33 57	36.07	34.48
Hong Kong	13.50	11.00	7.00	6.50	6.50	6 50	6.50	6.50	5.00	5 00	6.00
Indonesia	19.75	23.50	18.75	18.75	18.75	18.25	18.25	19.75	20.50	19 50	19.50
Korea	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Malaysia	11.00	12.00	10.50	10.50	10.50	10.50	10.50	10.00	9.00	9 00	9 00
Mexico	56.44	47.54	65.66	84.40	87.72	91.48	94.19	95.33	95.89	96.20	n.a.
Philippines	18.00	44.00	15.00	13.50	13.00	12.00	11.00	10.00	n a.	n.a.	n.a.
Singapore	8.98	9.40	7.20	6.83	6.45	6.28	6.10	6.10	6.10	6.10	6.10
Taiwan	10.25	10.00	9.50	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Thailand	16.00	16.50	15.50	12.00	12.00	12.00	12.00	12.00	12.00	12 00	12.00
Venezuela	16.00	16.00	13.00	14.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00

*Percent per month.

Domestic corporate bond yields

long-term issues, at or near end of month

	1983	1984	1985	1986					1987		
	Dec	Dec	Dec	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
United States	12.63	12.25	10.15	8.63	9.00	9.00	8 88	8.88	8.50	8.55	8.65
Canada	12.89	12.42	10.74	10.00	10.32	10.39	10.21	10.18	9.67	9.90	9.79
France	14.35	12.94	11.76	8.37	8.92	9.36	9.77	10.18	9.92	10.06	9.79
Germany	8.30	7.20	6.90	6.40	6.30	6.40	6.60	6.50	6.50	6.40	6.60
Netherlands	8.51	7.51	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.
Norway	13.25	12.75	14.00	15.00	15.50	15.00	n a.	n.a.	n.a.	n.a.	n.a.
Spain	20.07	18.32	14.92	13 68	13.36	13.24	13.61	13.40	13 72	14.13	14.82
Sweden	12.21	12.33	13.25	10.99	10 82	10 77	11.72	11.99	13.00	12.63	12.15
Switzerland	4.92	5.09	4.93	4.77	4.77	4.73	4.71	4.72	4.62	4.56	4.58
United Kingdom	11.57	11.64	11.47	10.32	10.34	11.58	11.43	11.71	11.30	10.58	10.21
Japan	7.49	7.11	6.79	6.11	6.10	6.16	6.05	5.93	5.46	5.35	n.a.
Korea	14.20	15.00	13.60	12.80	12.80	12.80	12.70	12.80	12 80	12.70	12.80
Venezuela	18.00	18.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00

Key to data in tables

I. International markets

Data on the *international banking market size* are based on resident and nonresident Eurocurrency (i.e., foreign currency) assets and liabilities and on nonresident domestic currency assets and liabilities of banks in nearly all European countres, the Bahamas, Bahrain, Canada, Cayman Islands, Hong Kong, Japan, Netherlands Antilles, Panama, Singapore, and the United States. All assets and liabilities of international banking facilities (IBFs) of banks in the United States are treated as Eurocurrencies.

An *international bond issue* may be either a Eurobond issue or a foreign bond issue. A *Eurobond issue* is one placed principally in countries other than that of the currency in which the bond is denominated, usually through an international syndicate. A *foreign bond issue* is one issued by a nonresident borrower on the market of a single country and denominated in that country's currency. Data on new international bond issue volume include all publicly announced issues of straight bonds, convertibles, bonds with warrants, floating rate notes, and certificates of deposit with an original maturity of three years or more (one year or more beginning in 1985), whether publicly or privately placed.

An *international bank credit* may be either a Eurocurrency credit or a foreign credit. A *Eurocurrency credit* is one denominated in a currency that is foreign to the country of the bank office extending the credit. *A foreign credit* is one extended to a nonresident borrower and denominated in the domestic currency of the country in which the bank office extending the credit is located. Data on new international bank credit volume include all publicly announced bank credits with an original maturity of one year or more (term loans, revolving lines of credit, and facilities to back up the issuance of other financial instruments such as commercial paper, short-term notes, certificates of deposit and banker's acceptances).

Data on international bond issues and bank credits through 1984 were compiled by Morgan Guaranty Trust Company. Beginning in January 1985 these data are based on figures published in the OECD's *Financial Statistics Monthly*.

II. Domestic markets

Central bank discount rates

Rates shown are the official discount rates with the exception of:

Ireland — Short Term Facility rate.

South Africa — discount rate for 90-day banker's acceptances.

United Kingdom — rate of discount for outright purchases of 15- to 33-day bank bills.

Day-to-day money rates

Argentina—7-day interbank money regulated by the central bank.

Austria — day-to-day interbank rate.

Australia — effective interest rate in the official short-term money market.

Belgium — day-to-day loan rate in the call money market.

Brazil — interbank overnight money.

Canada—chartered banks' day-to-day loans.

Finland — Bank of Finland call money.

France — interbank call money against private paper.

Germany — interbank call money.

Hong Kong — interbank 24-hour call rate.

Ireland — interbank call money.

Italy — interbank 48-hour call money.

Japan—Tokyo interbank call money, unconditional lenders rate.

Korea — overnight interbank call money.

Netherlands — open-market call money.

Norway — day-to-day interbank rate.

Philippines — interbank call loan rate.

Singapore — interbank overnight money.

South Africa — discount houses basic call rate.

Spain — day-to-day interbank rate.

Sweden — interbank call money.

Switzerland — call money.

Taiwan — private interbank overnight loan rate.

United Kingdom — call money.

United States — federal funds rate.

Treasury bill rates

Australia — 13-week Treasury notes at tender.

Belgium — new issue of 3-month Treasury certificates.

Brazil — 3-month Treasury bills.

Canada — 3-month Treasury bills at tender.

Ireland — 3-month central bank exchequer bills at tender.

Italy — 6-month Treasury bills.

Japan — 60- to 62-day noninterest-bearing discount government bills.

Mexico — 3-month Federal Treasury bills.

Netherlands — 3-month Treasury bills.

New Zealand — tap issue rate for 3-month Treasury bills until December 1984. As of January 1985, 3-month Treasury bills at tender.

Philippines — simple average of 91-day Treasury bills at tender until June 1984. Beginning July 1984 rates refer to the weighted average interest rate on 91- to 183-day Treasury bills sold to banks under negotiated basis.

Singapore — 91-day Treasury bills at tender.

South Africa — 3-month Treasury bills at tender.

Spain — 6-month Treasury bills at tender until March 1984. As of April 1984, 3-month Treasury bill repos reported by the Bank of Spain (average of quotations during the month).

Sweden — new issues of 3-month Treasury bills until June 1982. New series as of July 1982, 6-month Treasury discount notes, market rate.

United Kingdom — 91-day Treasury bills at tender.

United States — 3-month Treasury bills.

Representative money-market rates

Australia — buying rate for 90-day bank accepted commercial bills.

Belgium — 4-month Fonds des Rentes certificates.

Canada — 3-month prime finance company paper.

Chile — central bank 60-day fixed rate promissory notes (PDBC) at tender.

France — 3-month interbank money against private paper.

Germany — 3-month interbank deposits.

Hong Kong — 3-month interbank deposits.

Indonesia — 1-month interbank deposits.

Ireland — 3-month interbank deposits.

Italy — 3-month interbank deposits.

Japan — 3-month "gensaki" rate.

Korea — 3-month financial bill.

Malaysia — 3-month interbank deposits.

Netherlands — 3-month interbank deposits.

New Zealand — 90-day commercial bills.

Philippines—weighted average interest rate for 90-day promissory rates.

Portugal — average of 30- to 90-day interbank deposits.

Singapore — 3-month banker's acceptances.

South Africa—90-day banker's acceptances.

Spain — 3-month interbank rate reported by the Bank of Spain (average of quotations during the month).

Switzerland — 3-month interbank deposits.

Taiwan — 90-day banker's acceptances.

Thailand — interbank call money.

United Kingdom — 3-month interbank deposits.

United States — 3-month prime industrial paper.

Commercial bank deposit rates

Argentina — nominal 30-day time deposits. Average of bank rates published by the central bank until August 1984. New series as of September 1984, 30-day acceptances maximum interest rate.

Austria — 3-month time deposits.

Australia — 3-month certificates of deposit.

Belgium — special maximum rate for 3-month time deposits in large amounts.

Brazil — 6-month certificates of deposit with prefixed yields until July 1982. New series as of August 1982, 6-month certificates of deposit reported as a spread above monetary correction which is set every month in relationship to inflation.

Canada — 3-month time deposits.

Chile — 30-day time deposits.

Denmark — time deposits of 3-months' notice.

Finland — time deposits of six-month notice.

France — 3-month time deposits of FF. 1,000,000.

Germany — 3-month time deposits in large amounts.

Hong Kong — negotiable 3-month time deposits of more than HK$500,000.

Ireland — 3-month deposits.

Italy — 3-month time deposits of Lit. 100 million or more.

Japan — 90-day negotiable certificates of deposit issued by the Tokyo office of Morgan Guaranty Trust Company.

Korea — 3-month time deposits.

Malaysia — 3-month time deposits.

Mexico — 3-month certificates of deposit until September 1983. New series as of October 1983, 3-month promissory notes.

Netherlands — 3-month time deposits in large amounts.

New Zealand — 6-month transferable certificates of deposit.

Norway — 3-month special term deposits.

Philippines — weighted average interest rates on 60- to 90-day time deposits of sample commercial banks.

Portugal — 90- to 180-day time deposits until May 1984. New series as of June 1984, 180-day to one-year time deposits.

Key to data in tables — continued

Singapore — 3-month certificates of deposit.
South Africa — 3-month negotiable certificates of deposit.
Spain — deposits over 6 months and less than 1 year for Pts. 1 million or more reported by the Bank of Spain.
Sweden — 3-month certificates of deposit.
Switzerland — 3-month time deposits.
Taiwan — maximum rate for 3-month time deposits.
Thailand — 3-month time deposits.
United Kingdom — 3-month time deposits.
United States — 3-month negotiable certificates of deposit issued by Morgan Guaranty Trust Company.
Venezuela — 6-month negotiable certificates of deposit for domestic depositors only.

Domestic government bond yields

Austria — Austrian National Bank average yield on all outstanding government bonds.
Australia — secondary market yield for 10-year Treasury bonds.
Belgium — Belgium National Bank secondary market average yield on central government bonds of more than 5 years' maturity quoted on Brussels Stock Exchange.
Canada — Bank of Canada average yield on all direct government bonds due or callable in 10 years or more.
Denmark — 12% serial bonds maturing 2001 until April 1983. New series as of May 1983, 10% serial bonds maturing 2004.
Finland — rate of interest at issue on central government bonds intended for public subscription, weighted by sales of bonds in the latter half of each month.
France — INSEE secondary market weighted average yield of public sector bonds with a remaining maturity of 10 years or more.
Germany — Frankfurter Allgemeine Zeitung 10-year public authority bond average.
Ireland — 15-year government bonds.
Italy — average yield on fixed-interest government bonds, not including irredeemable bonds, weighted by the amounts in circulation, for maturities of 9 years or more.
Japan — secondary market average yield on Central government bonds with a maturity of 5 years or more.
Netherlands — Central Bureau of Statistics (CBS) average yield on three latest government bonds.
New Zealand — average yield on government bonds maturing after 5 years.
Norway — 5% government bond of 1998 until December 1982. New series as of January 1983, average yield of long-term government bonds.
Philippines — weighted average interest rate of outright sales on secondary transactions for central bank certificates of indebtedness.
Portugal — yield of 4% Centenary Loan of 1940.
South Africa — 25-year government bonds until August 1983; 20-year Republic of South Africa bonds until April 1984; new series as of May 1984, secondary market yield for the 13% due 2005 Republic of South Africa bond.
Spain — Bank of Spain secondary market weighted average yield of several central government issues with more than 2 years' maturity (average of quotations during the month).
Sweden — 15-year government bonds until October 1983. New series as of November 1983, 5-year government bond yield index, market rate.
Switzerland — Swiss Confederation bond average.
United Kingdom — F.T. (*Financial Times*) Actuaries 25-year government stock.
United States — Morgan Guaranty 20-year U.S. Government Bond Index.
Venezuela — Banco Central average yield on public-sector bond issues.

Commercial bank lending rates to prime borrowers

Argentina — average rate on 30-day loans.
Austria — overdraft rate for prime borrowers, including commission.
Australia — overdraft rate. Maximum indicator rate applying to loans of A$100,000 or more for major trading banks.
Belgium — prime overdraft rate.
Brazil — prefixed rate applied to working capital loans until July 1982; monetary-corrected free rate applied to working capital loans from August 1982 to July 1983. New series as of August 1983, maximum legal rate reported as a spread above monetary correction which is set every month in relationship to inflation. Charges for fees and commissions are often added.
Canada — prime rate.
Chile — average prime rate of six major commercial banks.
Denmark — approximate rate for loans and advances to prime borrowers.
Finland — average rates on total commercial bank lending.
France — base lending rate, excluding a commission of .05% per month on highest debit balance during the month. A spread above base rate is often added.
Germany — approximate effective overdraft rate for prime borrowers.
Hong Kong — prime lending rate set by the Hong Kong Association of Banks.
Indonesia — prime rate for domestic affiliates of foreign companies.
Ireland — AA corporate borrowing rate.
Italy — unsecured overdraft rate for prime borrowers.
Japan — average contracted interest rate for short-term loans of city banks. In addition, compensating balances may be required.
Korea — prime rate.
Malaysia — Bank of Commerce Berhad base lending rate.
Mexico — base rate or average cost of money for banks determined monthly by the Banco de Mexico S.A.
Netherlands — overdraft rate for prime borrowers, including commission.
New Zealand — overdraft rate for prime borrowers.
Norway — overdraft rate, including a commission of .25% per quarter on the total line of credit until January 1983. New series as of February 1983, special rate of first class, large borrowers.
Philippines — prescribed administrative ceiling for unsecured loans with maturities of 365 days and below, including charges until December 1982. New series as of January 1983, modal rate to prime borrowers.
Portugal — maximum rate for 90- to 180-day loans.
Singapore — most common overdraft rate, major banks.
South Africa — unsecured overdraft rate for prime borrowers.
Spain — private banks' average interest rate for 1-year loans reported by the Bank of Spain.
Sweden — overdraft rate for prime industrial borrowers, commission not included.
Switzerland — unsecured overdraft rate for prime borrowers, excluding commission of .25% per quarter on average or highest outstanding debit balance in quarter.
Taiwan — maximum rate for 3- to 12-month secured loans. Rate is an indication only and may vary from actual bank lending rate which is subject to volatile interbank rates.
Thailand — prime rate.
United Kingdom — clearing bank base lending rate. A spread above base rate is often added.
United States — prime rate of Morgan Guaranty Trust Company.
Venezuela — representative rate for domestic prime borrowers only.

Domestic corporate bond yields

Canada — McLeod, Young, Weir Co. Ltd., weighted long-term bond yield index for AA corporates.
France — INSEE secondary market weighted average yield of private company bonds with a remaining maturity of 10 years or more.
Germany — Bundesbank secondary market weighted average yield of industrial bonds with a remaining maturity of more than 3 years.
Japan — secondary market yield for NTT bond maturing March 1987.
Korea — average of yields on corporate bonds guaranteed by local banks, with an original maturity of 3- 2- 5-years.
Netherlands — CBS average yield on three 6%-6.5% corporate bonds until December 1981. As of January 1982, CBS secondary market weighted average yield on all commercial bank issues with a quotation between 92% and 103%.
Norway — 5.75% Dalen Portland-Cement bond of 1969-1984 until December 1982. New series as of January 1983 average yield of long-term industrial bonds.
Spain — Bank of Spain seconary market weighted average yield of several corporate issues with more than 3 years' maturity (average of quotations during the month).
Sweden — Central Satistical Bureau average yield on industrial bonds.
Switzerland — average yield on outstanding bonds of four leading Swiss companies. Mixture changed as of January 1982.
United Kingdom — *Financial Times* secondary market average yield of industrial and financial company debentures and loan stocks with an average of 25 years to maturity.
United States — Salomon Brothers index of new issues yields for Aa industrial bonds with five-year call protection.
Venezuela — average of yields on 15-year bond issues of Electricidad de Caracas.

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